COMPTROLLER of MARYLAND
Serving the People

STATE OF MARYLAND

Comprehensive Annual

FINANCIAL

Report

FISCAL YEAR ENDED JUNE 30, 2012

STATE *of* MARYLAND

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2012

EXECUTIVE

Martin O' Malley
Governor

Anthony G. Brown
Lieutenant Governor

Peter Franchot
Comptroller

Douglas F. Gansler
Attorney General

Nancy K. Kopp
Treasurer

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Court of Appeals of Maryland

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Thomas V. Miller, Jr.
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Michael E. Busch
Speaker of the House of Delegates

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Presented to

State of Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

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Jeffrey L. Esser
Executive Director

Comptroller of Maryland

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Comptroller

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Deputy Comptroller

Len Foxwell
Chief of Staff

Jerome Klasmeier
Assistant Comptroller

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Field Enforcement Division
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David F. Roose, Director
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HELLO

A MESSAGE FROM COMPTROLLER PETER FRANCHOT

The Office of the Comptroller was originally designed to be an internal auditor for the state when it was created in the 1850's. The job of Comptroller was engineered to function as a major check and balance and as our state's fiscal truth-teller.

As Comptroller, I make it my mission to deliver the truth and provide as much transparency as possible to the people of Maryland. That's why I'm happy to highlight a number of initiatives my agency has undertaken to shine a light on Maryland's finances for all taxpayers.

My agency's new and improved Web site at ***Marylandtaxes.com*** follows the money trail from where state dollars come from, where they go and what those dollars accomplish. I encourage you to explore the ***Maryland Money*** section of our Website to learn more.

The state's Board of Public Works is another unique way Marylanders can discover how their state tax dollars are spent and voice their opinion on large procurements. I'm proud to serve on the only such body in the nation that opens up the operation of government to all the people.

The people of Maryland also deserve a transparent political system. I believe if Marylanders can see from where their elected leaders are receiving contributions and how much they are receiving, they will be more attentive to the end product coming out of Annapolis. That's why I recently called for a real-time campaign finance system to make it clear to citizens where and how money is flowing in this system.

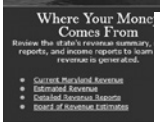
When the framers of our Constitution put in a system of checks and balances, they meant to give the people of our new nation the transparency needed to ensure fairness and freedom. A strict adherence to transparency is something I believe in strongly and will continue to fight for on your behalf.

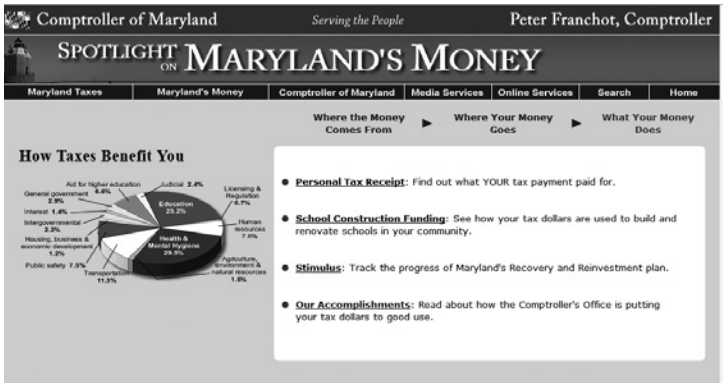
Peter Franchot

Comptroller Peter Franchot

An Eye on OUR WEBSITE

Fiscal Transparency With the Click of a Mouse


Where Your Money Comes From
Review the state's revenue summary, reports, and income reports to learn revenue is generated.
Current Maryland Revenue
Estimated Revenue
Detailed Revenue Reports
Board of Revenue Estimates


Comptroller of Maryland
Serving the People
Peter Franchot, Comptroller
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Comptroller of Maryland
Media Services
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Home
Where the Money Comes From
Where Your Money Goes
What Your Money Does
How Taxes Benefit You
Personal Tax Receipt: Find out what YOUR tax payment paid for.
School Construction Funding: See how your tax dollars are used to build and renovate schools in your community.
Stimulus: Track the progress of Maryland's Recovery and Reinvestment plan.
Our Accomplishments: Read about how the Comptroller's Office is putting your tax dollars to good use.

Expenditure Items	Amount Items	Amounts
ADMINISTRATIVE AND GENERAL EXPENSES	$786,857.21	Details
AMORTIZATION EXPENSE		Details
BAD DEBT EXPENSE	$0.00	Details
COMMUNICATION	$41,227,886.64	Details
CONTRACTUAL SERVICES	$3,038,671,813.22	Details
DEPRECIATION EXPENSE	$0.00	Details
EQUIPMENT SERVICE COSTS	$0.00	Details
EQUIPMENT-ADDITIONAL	$54,908,656.84	Details
EQUIPMENT-REPLACEMENT	$14,895,087.05	Details
EXPENDITURE TRANSFER		Details
EXPENDITURE TRANSFER (CONTRA)	($32,826.86)	Details
EXPENDITURES-GAAP PR YR REVERSAL		Details
FIXED CHARGES	$572,335,843.23	Details
FOOD	$0.00	Details
FUEL AND UTILITIES	$67,593,135.53	Details
GAAP-ACCTS PAYABLE EXPENDITURES	$0.00	Details
GAAP-GRANT EXPENDITURES		Details
GRANTS, SUBSIDIES AND CONTRIBUTIONS	$3,959,539,538.55	Details
LAND AND STRUCTURES	$410,432,442.97	Details
MOTOR VEHICLE OPERATION AND MAINTENANCE	$42,341,120.38	Details
RESERVE FOR REVERSIONS		Details
SALARIES AND WAGES	$1,808,808,423.24	Details
SUPPLIES AND MATERIALS	$138,751,564.46	Details
TECHNICAL AND SPECIAL FEES	$105,857,753.46	Details
TRAVEL	$24,174,850.38	Details
UNDISTRIBUTED DISBURSEMENTS	$104,417,535.55	Details

The Comptroller's Office is doing its part to shine a light on the state's books. Through the agency's new and improved Website, ***www.marylandtaxes.com***, visitors can learn where dollars for the state's budget come from, where that money goes and the public services paid for by those dollars.

In the site's *Maryland Money* section, visitors can review the state's revenue summary, revenue reports, and income reports to learn where revenue is generated. Detailed reports in the **"Where Your Money Comes From"** section include information on:

- Current Maryland Revenue
- Estimated Revenue
- Detailed Revenue Reports
- Board of Revenue Estimates

Marylanders can also review expenditure reports and the State Spending Summary to learn how resident's money is spent. The ***Where Your Money Goes*** section includes details on:

- Current Maryland Expenditures
- Board of Public Works Agendas
- Maryland Funding Accountability

Perhaps most importantly, the Website features a section on ***What Your Money Does***. As Maryland's fiscal watchdog, the Comptroller is dedicated to helping Marylanders find out how state tax dollars benefit residents. This section includes information on:

- Personal Tax Receipt
- School Construction Funding
- Stimulus funding
- Agency Accomplishments

Check out these tools of fiscal transparency today at ***www.marylandtaxes.com***.

An Eye on the

BOARD OF PUBLIC WORKS

The Board Of Public Works- "A microcosm of state government itself."

-Judge Alan Wilmer

The Constitutional Convention of 1864 created the Board of Public Works based on predecessor boards dating back to 1825. The 1864 board's original duties were essentially to oversee the public works activities, primarily railroads and canal and bridge companies, in which the state had an interest as stockholder or creditor.

The current board protects and enhances the state's fiscal integrity, ensuring that significant state expenditures are necessary, appropriate, fiscally responsible, fair and lawful. In reviewing and approving capital projects, procurement contracts and the acquisition, use and transfer of state assets (including wetlands), the Board of Public Works assures Marylanders that executive decisions are made responsibly and responsively. The board is composed of the Governor, Treasurer and Comptroller and decisions must be achieved by a majority vote.

"The Maryland Board of Public Works is almost unique in American government. Although some cities have such creatures or variations of it, there is nothing like it either at the federal level or among the other states. . . . In all, it seems clear that the board has been a good thing for the state. The delegates to the 1864 Constitutional Convention accidentally stumbled onto something worthwhile," said retired Court of Appleals Judge Alan Wilner.

The Board Aims To:

- ensure that the state's procurements are fairly conducted and are appropriate,
- protect the state's credit, by borrowing and expending money prudently,
- assure the judicious use of the state Public School Construction Program capital budget,
- ensure the judicious use of General Obligation Bond Funds,
- preserve and manage the state's wetlands and
- ensure that property transactions to which the state is a party are fair and appropriate.

An Eye on

OUR GOVERNMENT

Real-time Campaign Finance Reporting-- Calling for More Transparency

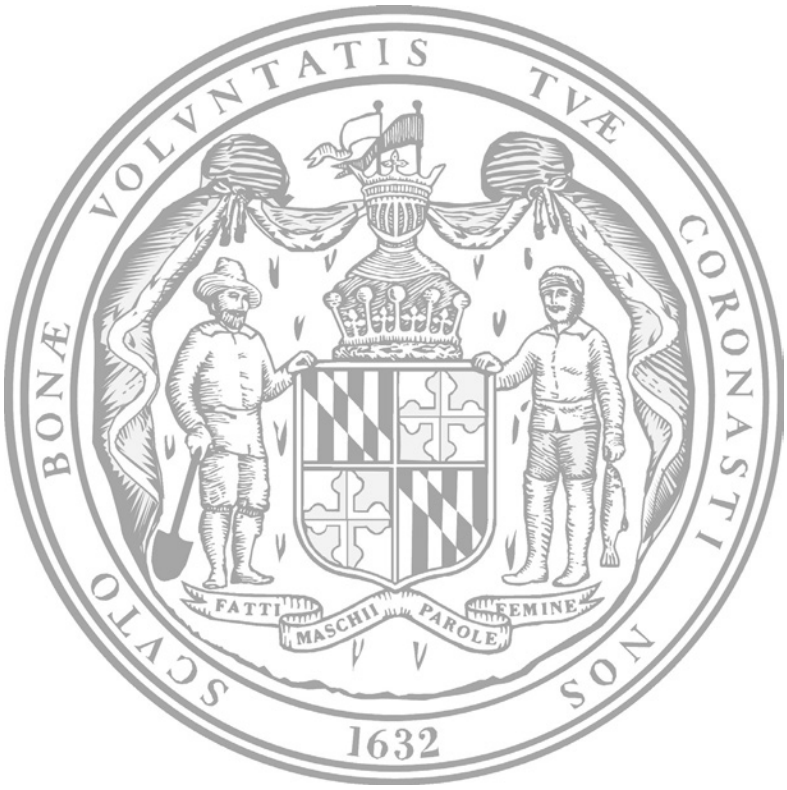
Comptroller Franchot believes that we cannot do justice to the best progressive traditions of our state and to the timeless and noble principles of our Constitution until we make a meaningful commitment to transparent government. That means giving the people of Maryland the chance to know – on a daily basis -- where and how campaign money is flowing in our political system.

To that end, he has proposed Maryland enact a real-time campaign finance system so that citizens know where and how contributions are flowing in this system.

The technology exists and is used extensively in the banking sector today as consumers see debits and credits immediately made in and out of their bank accounts. Real-time campaign reporting systems are working effectively in a handful of other states and jurisdictions.

"This notion that Maryland only has the capacity to accommodate annual or semi-annual reports is antiquated and citizens should reject that excuse," Franchot said.

Enacting a real-time campaign finance system would put Maryland on the cutting edge; on the forefront of transparency. We should work toward our state becoming the national, if not international, beacon of light when it comes to transparency and openness in government and campaign finance.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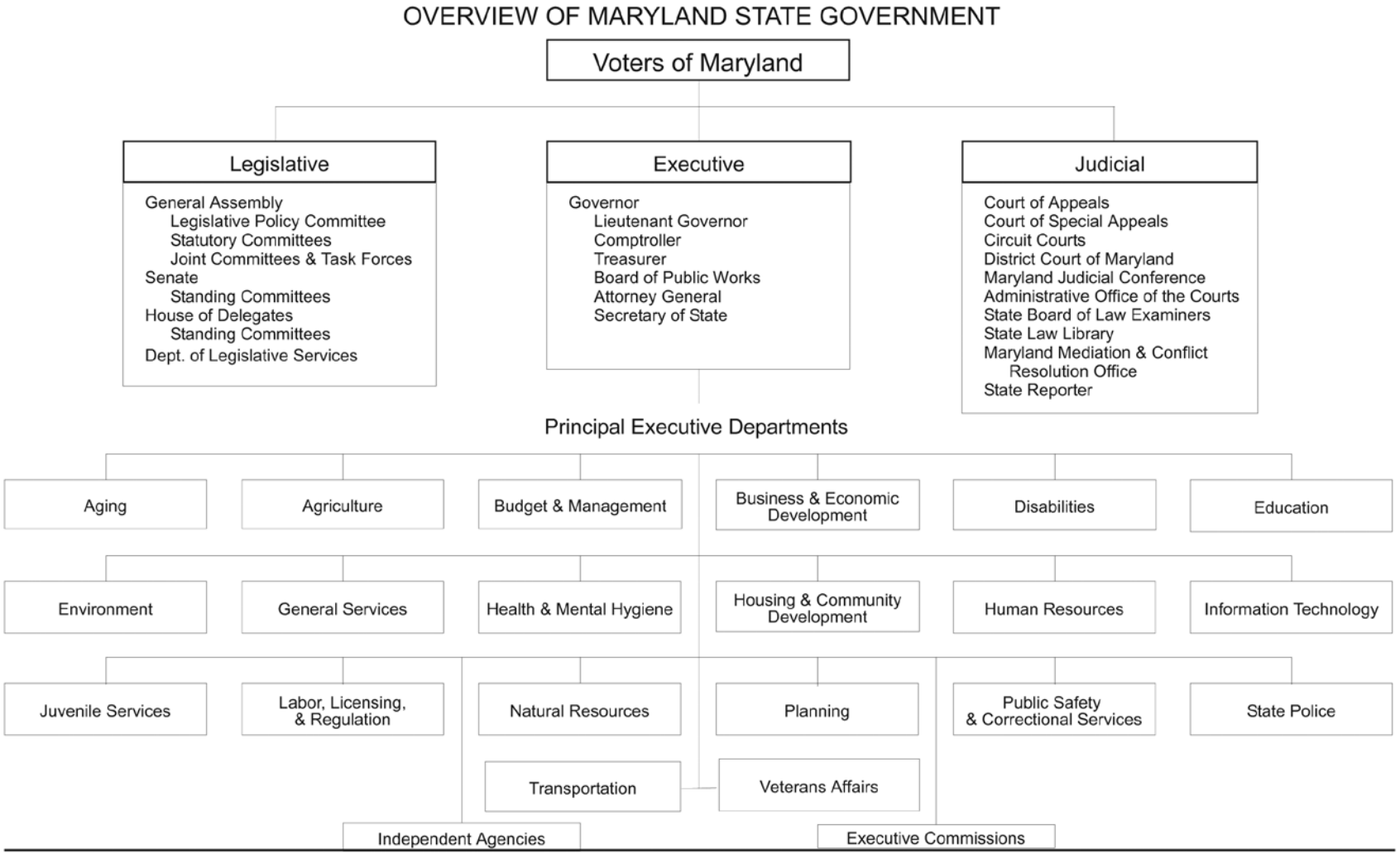

Maryland Manual On-Line
Maryland State Archives, 24 January 2011

Maryland State Government
chartsstate/00overview

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Comprehensive Annual Financial Report

for the fiscal year ended June 30, 2012

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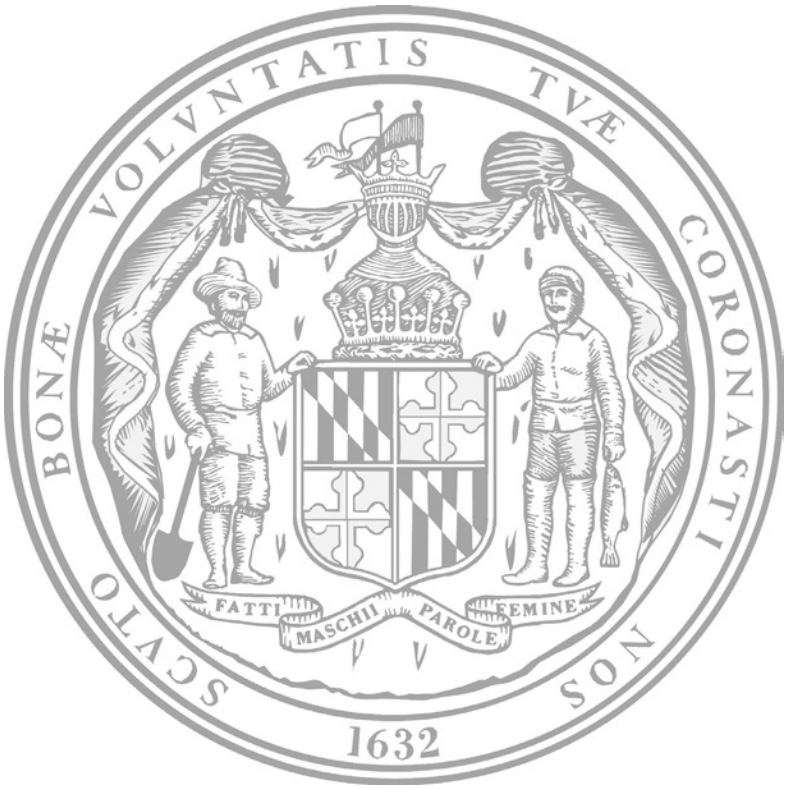
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FATTI MASCHII PAROLE FEMINE
1632

INTRODUCTORY

Section

Peter Franchot
Comptroller

Honorable Members of the General
Assembly and the Governor,
State of Maryland

The Comprehensive Annual Financial Report (CAFR) of the State of Maryland (State), for the Fiscal Year ended June 30, 2012, includes the financial statements of the State as well as information required by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the Comptroller.

The statutes of the State require an audit of every unit of the Executive and Judicial branches of government, including the Comptroller of Maryland's records, by the Legislative Auditor at least every three years. The Legislative Auditor is required to be and is a certified public accountant. The Legislative Auditor makes fiscal, compliance and performance audits of the various agencies and departments of the State and issues a separate report covering each of those audits. The primary purpose of the reports is to present the Legislative Auditor's findings relative to the fiscal management of those agencies and departments.

Additionally, my office requires an audit of the State's basic financial statements be performed by a firm of independent auditors selected by an audit selection committee composed of members from the Executive and Legislative branches of State government. This requirement has been compiled with, and the opinion of SB & Company, LLC, has been included in the financial section of this report. SB & Company, LLC is also performing an audit to meet the requirements of the Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and such information will be contained in another reporting package.

The State has issued guidelines to its agencies for establishing effective internal controls. As a recipient of Federal assistance, the State is responsible for ensuring compliance with laws and regulations related to such assistance. This compliance is accomplished through the internal control guidelines. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements include all funds of the State (primary government), as well as all component units. Component units are legally separate entities for which the primary government is financially accountable. The various colleges and universities, the College Savings Plans of Maryland, and the Maryland Stadium Authority are reported as major component units. The Maryland Environmental Service, the Maryland Industrial Development Financing Authority, the Maryland Food Center Authority and the Maryland Technology Development Corporation are combined and presented as non-major component units.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.

Background Information on the State:

Maryland ratified the United States Constitution on April 28, 1788. Its capitol is Annapolis, where the principal activities of state government are centered. Its employment is based largely in services, trade and government. These sectors, along with finance, insurance and real estate are the largest contributors to the gross state product. The State has a bicameral legislature, the General Assembly, composed of the Senate with 47 members and the House of Delegates with 141 members. The General Assembly meets annually for a 90-day session beginning on the second Wednesday in January.

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Fax: 410-974-3808 • 711 • TTY 410-260-7157 • pfranchot@comp.state.md.us

The Maryland Constitution requires the Governor to submit to the General Assembly a balanced budget for the following year. The General Assembly cannot increase the budget except in certain organizational units. The budget currently uses a legally mandated budgetary fund structure. Each State agency is provided appropriations at a program level, which is the level at which expenditures cannot legally exceed the appropriations. The State also utilizes an encumbrance system to serve as a tool for managing available appropriations. Maryland maintains its accounts to conform with the legally mandated budget and also to comply with generally accepted accounting principles. Financial control is generally exercised under the budgetary system.

There is a Spending Affordability Committee which consists of certain designated officers of the General Assembly and other members as may be appointed by the President of the Senate and the Speaker of the House of Delegates. Each year the Committee must submit a report to the General Assembly's Legislative Policy Committee and to the Governor recommending the level of State spending, the level of new debt authorization, the level of State personnel and the use of any anticipated surplus funds.

Also, the General Assembly created a Capital Debt Affordability Committee, the members of which are the Treasurer, the Comptroller, the Secretary of Budget and Management, the Secretary of Transportation, and one person appointed by the Governor. This Committee is required to submit to the Governor by September 10 of each year an estimate of the maximum amount of new general obligation debt that prudently may be authorized. The Committee's recent reports encompass all tax supported debt, in addition to the general obligation debt, bonds issued by the Department of Transportation, bonds issued by the Maryland Stadium Authority and capital lease transactions. Although the Committee's responsibilities are advisory only, the Governor is required to give due consideration to the Committee's finding in preparing a preliminary allocation of new general obligation debt authorizations for the next ensuing fiscal year.

Information on the State's Economic Condition:

Maryland's economy continues to rebound from the effects of the national recession. In general, most economic indicators are displaying weak, though positive trends. Year-to-date, Maryland's gross state product has grown at approximately 3.1% versus 2.3% for the US economy, a significant increase from the 0.6% growth in 2011. The State's extraordinary level of education attainment and corresponding high-technology jobs coupled with the considerable federal presence within the State served to buffer against the more extreme job and income losses that the nation as a whole suffered. As of September, Maryland's unemployment rate stands at 6.9%, about one percentage point less than the national rate, though still elevated relative to a pre-recession average of 3.7%. More recently, the federal government's presence in the State and its related economic footprint have created considerable uncertainty in what remains a fragile recovery as federal policymakers consider austerity measures.

Employment in Maryland has expanded as the economic recovery has continued; year over year job growth has been positive each month since June 2010. The recession resulted in a peak to nadir job loss total of 144,700 jobs, or 5.5% of total employment. Since the nadir, Maryland has added 108,800 jobs through September 2012, though total employment remains 1.4% below peak levels.

The education and health services and the professional and business services sectors, the two largest segments of employment in the State, have grown 3.2% and 3.5% year-to-date, respectively. The presence of excellent education and health institutions, such as Johns Hopkins, mark Maryland as a cornerstone for the growing industry. The Base Realignment and Closure (BRAC) process brought many high-paying professional and business services jobs to the State and should provide growth in the future as many of those jobs support cyber warfare, a growing component of the national defense strategy. At the other end of the spectrum, manufacturing employment, which has been on the decline for quite some time and now only represents 4% of total employment in the State, is down 2.2% year-to-date.

Wages and salaries in the State, about half of all income, have also been on the mend. In 2009 the total amount of wages earned in Maryland declined for the first time since 1954, though only 80 basis points, whereas national wages declined 4.3%. Since 2009, wage growth in Maryland has been subdued relative to the boom years earlier in the decade, but is gaining momentum. Wages from the professional and business services sector, accounting for about 18% of all wages earned in the State, were up 5.7% in 2011 and are up 5.1% year-to-date. Total wage growth is up 4.0% year-to-date after growth of 3.6% in 2011. The average wage in Maryland remains well above the national average, at about 112% of the average, and should gain momentum as the unemployment rate recedes.

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The real estate market appears to have bottomed out and possibly shifted to a source of growth for the broader economy. The median price for a home in Maryland, according to the Maryland Association of Realtors, is up 6.7% year-to-date after declining for five consecutive years. Perhaps the single largest driver of price growth has been the reduction in inventory; inventory peaked in 2008 at over 50,000 units and is now at almost half of that level. Additionally, the number of residential permits issued, as reported by the Census Bureau, has increased 28.5% year-to-date and the total value of those permits has increased 21.7%. However, risk remain in the outlook as the percentage of loans beginning the foreclosure process has increased above 2010 and 2011 levels, though this was somewhat expected as Maryland employs a judicial foreclosure process. There may still be a considerable number of distressed property sales as well as an inventory of other homes that have been held from the market in anticipation of higher prices.

Consumer spending is poised for a rebound. Moody's Analytics estimates that retail sales for the State are up 5.1% year-to-date (including automobile sales), just slightly below the national average. The debt-to-income ratio for Marylanders has increased to 23.5% in recent quarters, slightly higher than 2010 levels though well below the 25% level seen prior to the recession. The consumer's willingness to take on debt after the significant deleveraging witnessed throughout the recession may be indicative of varying situations. Installment credit has increased 9.9% year-to-date indicating that consumers are making large purchases, as witnessed in the automobile sales arena, or refinancing their homes to lower monthly payments at today's historically low interest rates. Revolving credit, such as bank credit cards or store credit, is experiencing positive growth for the first time since 2008. Total personal bankruptcies have fallen 13.9% for the year and are continuing to trend downwards from last year. Overall, coupled with increasing home values as mentioned earlier, consumers are beginning to feel wealthier and more confident in the economic recovery.

Concerns regarding the Eurozone have a minimal direct impact on Maryland's economy, especially when it comes to trade. Maryland, whose main exports consist of transportation equipment, chemicals, machinery and computer/electronics products, exported over $10.8 billion in goods in 2011, accounting for just 0.9% of all trade activity nationwide. Exports to the entire Eurozone accounted for 15.3% of the State's total export volume year-to-date, while exports to Canada, the State's largest trading partner, account for 15.8% alone. Year-to-date, according to the International Trade Administration, Maryland has exported $8.7 billion worth of merchandise, an increase of 10.2% over this time last year.

The effects of the fiscal cliff would be dire for a recovering Maryland. The fiscal cliff scenario assumes the expiration of the "Bush-era" tax cuts, the expiration of the payroll tax cut, and $100 billion in cuts to defense and discretionary federal spending. With its heavy reliance on the federal government, sequestration measures would have an enormous effect on the Maryland economy. Although the federal government accounts for 5.7% of the State's employment, it accounts for approximately 9.8% of the State's economy. Professional and business services firms, who account for approximately 15.9% of the State's workforce, would bear the brunt of such austerity measures, and would, consequently, be forced to lay off thousands of employees. In addition to the supposed budget cuts, individuals would experience a sharp rise in tax rates, damaging disposable incomes and putting into danger the already tepid recovery.

Negotiations are underway to mitigate the impact of the fiscal cliff. Many economists assume some combination of tax hikes and more modest spending cuts than currently called for, and that the State's economy will muddle through with modest employment and income growth in 2013 and 2014.

Major Initiatives and Long Term Financial Planning:

The budgetary challenges for fiscal year 2013 remain significant, with a budget gap of approximately $1 billion. Therefore, the fiscal year 2013 budget plan contains provisions to balance the budget in view of current economic conditions. The budget includes almost $800 million of reductions. It sets budget growth at 1.9%, excluding appropriation to the Rainy Day Fund. It also maintains cash resources from both the Rainy Day Fund and unallocated fund balance.

There are several proposed changes to the State personal income tax brackets that cap deductions and phase out exemptions for high income earners, increasing income tax revenue. Additional revenues are achieved through proposals that level the playing field between Maryland retailers and their out-of-state online competitors by requiring the collection of sales tax, aligning the tax on other tobacco products with the State cigarette tax, closing unnecessary tax loopholes, maintaining the commission on lottery sales at the current rate, and recognizing settlements with pharmaceutical and insurance companies. The combination of budget reductions, tax law changes, and strategic investments in the budget have helped Maryland retain its Triple A bond rating and maintain its budget priorities.

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Investment in job growth is a budget initiative in 2013. Invest Maryland uses an initial State investment of $23 million to generate up to $100 million in private venture capital funds. The Division of Business and Enterprise Development will receive $74 million toward economic stimulus. The State will provide $22 million to continue its investment in stem cell research, provide biotechnology tax credits and fund the Maryland Biotechnology Center. Through the One Maryland Broadband Network, the fiscal year 2013 capital budget includes $57 million for high-speed broadband links to government facilities and county institutions. In total, the capital budget provides $3.6 billion for State infrastructure and construction spending to directly support approximately 37,000 jobs.

The 2013 budget allocates $65 million toward workforce development, $13 million for adult education initiatives, and $66 million, a $4 million increase, to assist individuals with disabilities seeking employment. The Division of Unemployment Insurance is allocated $71 million to meet the significant growth in the number of Marylanders using unemployment insurance benefits. Public schools will receive funding of $5.7 billion in fiscal year 2013, including an increase of $109 million in direct education aid. School construction spending of $373 million will meet the Kopp Commission's recommendation. Funding for public colleges and universities will result in a 3% tuition increase in 2013.

Other operating programs include funds to provide access to health care for over one million Marylanders and providing a $25 million investment in the Chesapeake Bay 2010 Trust Fund.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Maryland for its Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Maryland has received a Certificate of Achievement for the last 32 consecutive years (Fiscal Years ended 1980 – 2011). We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis could not have been accomplished without the efforts and dedication of the staff of the General Accounting Division with assistance from other personnel from the various departments and agencies of the State.

I will be pleased to furnish additional information on the State's finances upon request.

Sincerely,

Peter Franchot,
Comptroller of Maryland

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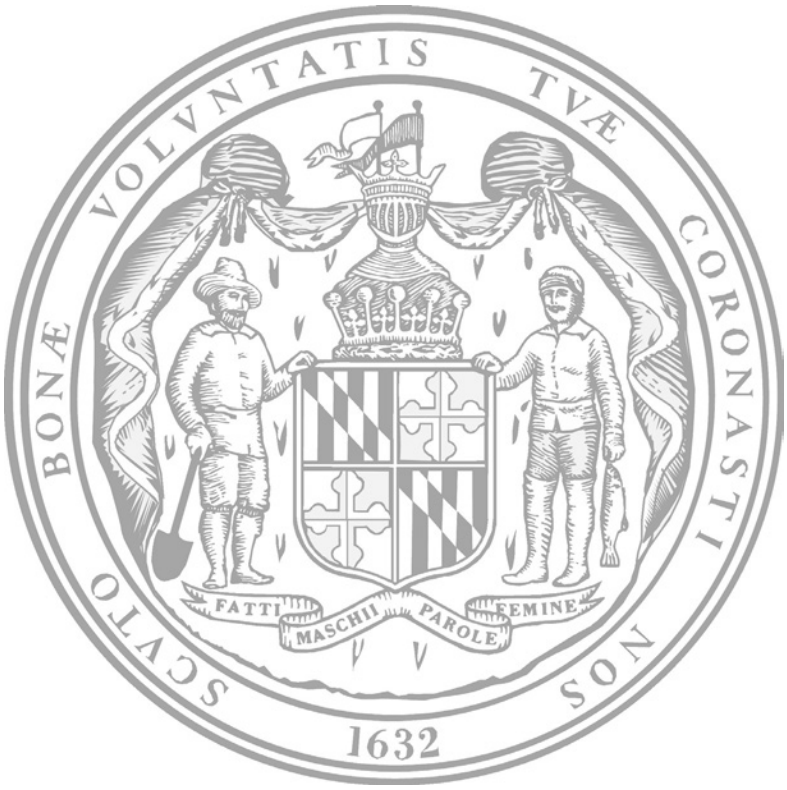
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FINANCIAL

Section

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; required supplemental schedules of funding progress and employer contributions for the Maryland Pension and Retirement System, the Maryland Transit Administration Pension Plan, and Other Post-employment Benefits Plan; and the respective budgetary comparison for the budgetary general, special and Federal funds as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the State's basic financial statements. The combining financial statements, schedules, introductory and statistical sections, and financial schedules required by law, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information combining financial statements and schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the information combining financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections of this report and the financial schedules required by law have not been subjected to the auditing procedures applied by us or the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

SB & Company, LLC

Hunt Valley, Maryland
December 12, 2012

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

The Honorable Peter Franchot
Comptroller of Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maryland (the State), as of June 30, 2012 and for the year ended, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of (1) certain Economic Development Loan Programs; (2) the Maryland State Lottery Agency; (3) the Maryland Transportation Authority; (4) the Economic Development Insurance Programs; (5) certain foundations included in the higher education component units; (6) the Maryland Food Center Authority; (7) the Maryland Technology Development Corporation; and (8) the Investment Trust Fund, which represent the percentages of the total assets, total net assets, and total operating revenues or additions included in the accompanying financial statements.

	Percentage of Opinion Unit		
	Total Assets	Total Net Assets	Total Operating Revenues
Business-Type Activities			
Major -			
Certain Economic Development Loan Programs	26.2 %	7.6 %	3.4 %
Maryland State Lottery Agency	2.1	0.2	50.7
Maryland Transportation Authority	48.3	45.6	13.3
Non-Major -			
Economic Development Insurance Programs	0.7	1.3	0.2
Total percentage of business-type activities	77.3 %	54.7 %	67.6 %
Component Units			
Major -			
Certain foundations included in the higher education component units	12.7 %	14.8 %	11.0 %
Non-Major -			
Maryland Food Center Authority	0.3	0.4	0.4
Maryland Technology Development Corporation	0.2	0.1	1.6
Total percentage of component units	13.2 %	15.3 %	13.0 %
Fiduciary Funds			
Investment Trust Fund	4.6 %	5.3 %	64.0 %

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above-mentioned funds and component units, is based on the reports of the other auditors.

STATE OF MARYLAND

Management's Discussion and Analysis

Management of the State of Maryland provides this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2012. Please read it in conjunction with the Comptroller's letter of transmittal, which can be found in the Introductory Section of this report, and the State's financial statements which follow this section.

Financial Highlights

Government-wide

- Maryland reported net assets of $10.4 billion in fiscal year 2012 and $11.4 billion in fiscal year 2011.
- Of the net assets in fiscal year 2012, a deficit balance of $8.2 billion was reported as total unrestricted net assets, which includes a $10.0 billion deficit balance in governmental activities and a $1.9 billion balance in business-type activities.
- The State's total net assets decreased by $1.0 billion as a result of this year's operations. The net assets for governmental activities decreased by $1.7 billion (29.4%). Net assets of business-type activities increased by $666 million (11.6%).
- The State's governmental activities had total expenses of $31.0 billion, total revenues of $28.8 billion and net transfers from business-type activities of $593 million for a net decrease of $1.7 billion.
- Business-type activities had total expenditures of $3.8 billion; program revenues of $4.9 billion; general revenues, primarily the sale of InvestMD tax credits, of $94 million; and transfers out of $593 million for a net increase in net assets of $666 million.
- Total State revenues were $33.8 billion, while total costs for all programs were $34.8 billion.

Fund Level

- Governmental funds reported a combined fund balance of $1.6 billion, a decrease of $281 million (14.9%) from the prior year.
- The General Fund reported an unassigned fund balance deficit of $681 million and a remaining fund balance (nonspendable, restricted, and committed) of $1.8 billion, compared to an unassigned fund balance deficit of $292 million and a remaining fund balance of $1.6 billion last year. This represents a net decrease of $263 million in General Fund, fund balance. The total unassigned fund balance deficit in the governmental funds was $1.1 billion, compared to a deficit of $696 million in the prior year.
- Governmental funds reported a total nonspendable, restricted, and committed fund balance of $2.7 billion in 2012, compared to $2.6 billion in the prior year.

Long-term Debt

- Total bonds and obligations under long-term leases at year end was $16.5 billion, a net increase of $439 million in 2012 (2.7%) over the prior year.
- $1.5 billion General Obligation Bonds of which $393 million were refunding bonds, and $276 million Transportation Bonds of which $161 million were refunding bonds, were issued during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State of Maryland's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements (Reporting the State as a Whole)

The government-wide financial statements provide a broad overview of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's economic condition at the end of the fiscal year. The statements include all fiscal year revenues and expenses, regardless of whether cash has been received or paid. The government-wide financial statements include the following two statements.

The *Statement of Net Assets* presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in the State's net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the State.

The above financial statements distinguish between the following three types of state programs or activities:

Governmental Activities – The activities in this section are typically supported by taxes and intergovernmental revenues, i.e., federal grants. Most services normally associated with the State government fall into this category, including the Legislature, Judiciary and the general operations of the Executive Department.

Business-Type Activities – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include insurance and loan programs for economic development, the unemployment Insurance Program, the Lottery, the Transportation Authority and Maryland Correctional Enterprises, a program which constructs office furnishings utilizing the prisons' inmate population.

Discretely Presented Component Units – The government-side statements include operations for which the State has financial accountability, but are legally separate entities. Financial information for these component units is reported separately from the financial information presented for the primary government. The component unit activities include Higher Education, the College Savings Plans of Maryland, The Maryland Stadium Authority and other non-major proprietary activities. All of these entities operate similarly to private sector business and to the business-type activities described above. The component unit Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College and Baltimore City Community College and certain affiliated foundations. The non-major component units include the Maryland Food Center Authority, Maryland Environmental Service, Maryland Industrial Development Financing Authority and the Maryland Technology Development Corporation.

Complete financial statements of the individual component units can be obtained from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

This report includes two schedules (pages 29 and 31) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (accrual accounting) on the government-wide statements. The following summarizes the impact of transitioning from modified accrual to accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain tax revenues that are earned and other assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but are recognized on the government-wide statements.
- Deferred bond issuance costs are capitalized and amortized on the government-wide statements, but reported as expenditures in governmental funds.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and bonds and notes payable, only appear as liabilities in the government-wide statements.
- Capital outlays result in capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other transactions represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The government-wide financial statements can be found on pages 24 - 27 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds can be divided into three categories: governmental, enterprise, and fiduciary. Each of these categories uses a different accounting approach.

Governmental funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-side financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the focus of governmental funds is narrower than that of the government-side financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the pages immediately following the governmental funds financial statements.

The State maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Department of Transportation-special revenue fund, both of which are considered to be major funds. Data from the remaining three governmental funds are combined into a single, aggregated presentation. Data for the non-major governmental funds, namely, the debt service fund for general obligation bonds, the debt service fund for transportation revenue bonds and the capital projects fund, is provided in the form of combining statements elsewhere in this report. These funds are reported using modified accrual accounting, which measures cash and all other assets

which can be readily converted to cash. The basic governmental funds financial statements can be found on pages 28 and 30 of this report.

Enterprise funds – Enterprise funds are used to show activities that operate similar to activities on commercial enterprises. These funds charge fees for services provided to outside customers including local governments. Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide financial statements for business-type activities and the enterprise fund financial statements because they both utilize accrual accounting, the same method used for business in the private sector.

The State has six enterprise funds, four of which are considered to be major enterprise funds. These funds are: Economic Development – Loan Programs, the unemployment Insurance Program, the Lottery Agency and the Transportation Authority. Data for the non-major enterprise funds, Economic Development – Insurance Programs and Maryland Correctional Enterprises, are combined into a single aggregated presentation. Individual fund data for these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The basic enterprise funds financial statements can be found on pages 34 – 38 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are restricted in purpose and are not available to support the State's own programs. Fiduciary fund use accrual accounting.

The State's fiduciary funds include the Pension and Other Employee Benefits Trust Funds (Pension Trust), the Investment Trust Fund, the Postretirement Health Benefits Trust Fund (OPEB Trust) and Agency Funds. The Pension and Other Employee Benefits Trust Funds consist of the Retirement and Pension System, the Maryland Transit Administration Pension Plan and the Deferred Compensation Plan. The Postretirement Health Benefits Trust Fund accumulates funds to assist with the costs of the State's postretirement health insurance subsidy. The Investment Trust Fund accounts for the transactions, assets, liabilities and fund equity of an external investment pool. Agency funds account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals. Individual fund detail for the fiduciary funds can be found in the combining financial statements.

The basic fiduciary funds financial statements can be found on pages 39 – 40 of this report.

Combining Financial Statements, *Component Units* – The government-wide financial statements present information for the component units in a single aggregated column in the Statement of Net Assets and the Statement of Activities. Combining Statement of Net Assets and Combining Statement of Activities have been provided for the Component Unit Proprietary Funds and provide detail for each major proprietary component unit, with a combining column for the non-major component units. Individual financial statement information for the non-major component units is provided elsewhere in this report.

The combining financial statements for the component units can be found on pages 42 – 44 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 46 – 103 of this report.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the budgetary general, special revenue and federal funds, along with a reconciliation of the statutory and Accounting Principles

Generally Accepted in the United States of America (GAAP) General and Special Revenue Fund, fund balances at fiscal year end. This report also presents certain required supplementary information concerning the State's progress in funding obligations to provide pension benefits and other post-employment benefits and includes a footnote concerning budgeting and budgetary control. Required supplementary information immediately follows the notes to the financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements referred to earlier in connection with non-major governmental, enterprise, and fiduciary funds and non-major component units are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The State's combined net assets (government and business-type activities) totaled $10.4 billion at the end of 2012 and $11.4 billion at the end of 2011.

Net Assets as of June 30,

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 5,871	$ 5,858	$ 8,454	$ 8,308	$ 14,325	$ 14,166
Capital assets	19,496	19,248	5,039	4,657	24,535	23,905
Total assets	25,367	25,106	13,493	12,965	38,860	38,071
Long-term liabilities	16,584	14,930	6,280	6,263	22,864	21,193
Other liabilities	4,806	4,544	824	979	5,630	5,523
Total liabilities	21,390	19,474	7,104	7,242	28,494	26,716
Net assets:						
Invested in capital assets, net of related debt	13,771	13,670	2,314	2,117	16,085	15,787
Restricted	229	200	2,220	2,003	2,449	2,203
Unrestricted	(10,023)	(8,238)	1,855	1,603	(8,168)	(6,635)
Total net assets	$ 3,977	$ 5,632	$ 6,389	$ 5,723	$ 10,366	$ 11,355

The largest portion of the State's net assets, $16.1 billion, reflects investment in capital assets such as land, buildings, equipment and infrastructure, less any related debt to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens. Consequentially, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the State's net assets, $2.4 billion, represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance for unrestricted net assets, a deficit of $8.2 billion, reflects the State's expenses over revenues.

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the State's net assets changed during the fiscal year.

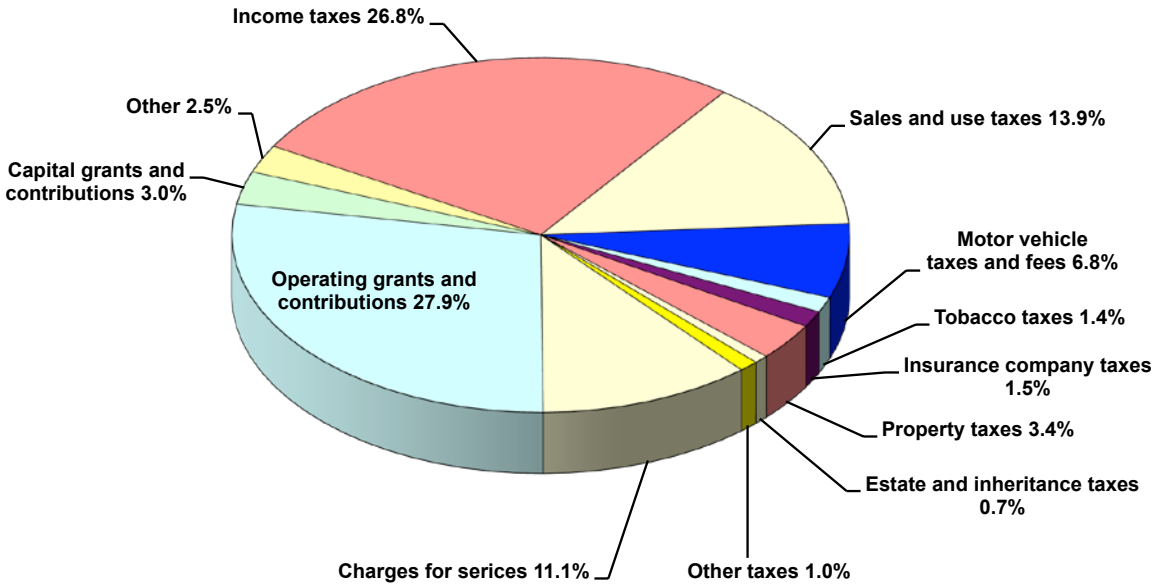
Changes in Net Assets

For the Year Ended June 30,

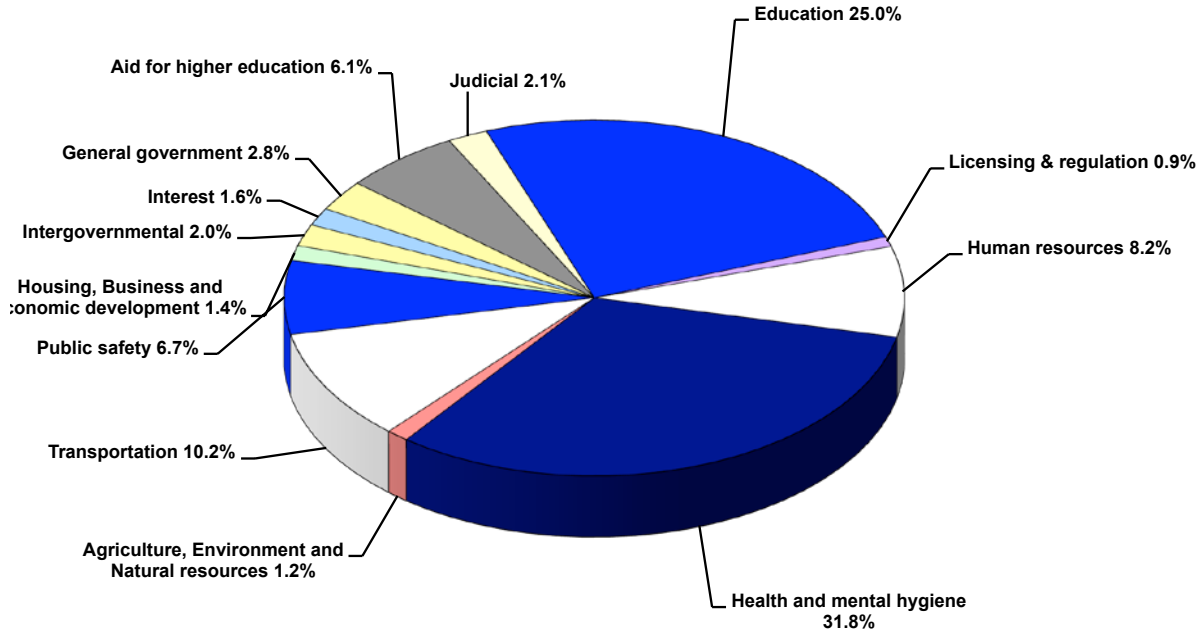
(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 3,272	$ 2,946	$ 3,999	$ 3,742	$ 7,271	$ 6,688
Operating grants and contributions	8,200	9,341	917	880	9,117	10,221
Capital grants and contributions	884	715	1		885	715
General revenues:						
Income taxes	7,868	7,605			7,868	7,605
Sales and use taxes	4,078	3,898			4,078	3,898
Motor vehicle taxes	1,988	1,914			1,988	1,914
Tobacco taxes	411	408			411	408
Insurance company taxes	429	392			429	392
Property taxes	995	1,044			995	1,044
Estate & inheritance taxes	221	242			221	242
InvestMD tax credits			84		84	
Other taxes	296	302			296	302
Unrestricted investment earnings	156	79	10	5	166	84
Total revenues	28,798	28,886	5,011	4,627	33,809	33,513
Expenses:						
General government	871	865			871	865
Health and mental hygiene	9,870	9,591			9,870	9,591
Education	7,791	7,896			7,791	7,896
Aid for higher education	1,898	1,921			1,898	1,921
Human resources	2,551	2,538			2,551	2,538
Public safety	2,078	2,198			2,078	2,198
Transportation	3,156	3,177			3,156	3,177
Judicial	649	682			649	682
Labor, licensing and regulation	280	278			280	278
Natural resources and recreation	208	206			208	206
Housing and community development	347	374			347	374
Environment	108	126			108	126
Agriculture	47	91			47	91
Business and economic development	78	84			78	84
Intergovernmental grants	615	612			615	612
Interest	499	428			499	428
Economic development insurance programs			5	13	5	13
Economic development loan programs			366	365	366	365
Unemployment insurance program			1,585	1,630	1,585	1,630
State Lottery			1,332	1,254	1,332	1,254
Transportation Authority			413	355	413	355
Maryland Correctional Enterprises			51	50	51	50
Total expenses	31,046	31,067	3,752	3,667	34,798	34,734
Increase (decrease) in net assets before transfers and special items	(2,248)	(2,181)	1,259	960	(989)	(1,221)
Transfers and special items	593	527	(593)	(527)		
Change in net assets	(1,655)	(1,654)	666	433	(989)	(1,221)
Net assets - beginning	5,632	7,286	5,723	5,290	11,355	12,576
Net assets - ending	$ 3,977	$ 5,632	$ 6,389	$ 5,723	$ 10,366	$ 11,355

2012 Revenues By Source - Governmental Activities


Income taxes 26.8%
Other 2.5%
Capital grants and contributions 3.0%
Operating grants and contributions 27.9%
Sales and use taxes 13.9%
Motor vehicle taxes and fees 6.8%
Tobacco taxes 1.4%
Insurance company taxes 1.5%
Property taxes 3.4%
Estate and inheritance taxes 0.7%
Charges for serices 11.1%
Other taxes 1.0%

2012 Expenses By Function - Governmental Activities



Governmental Activities

Comparing current year activities to the prior year discloses that revenues decreased by $88 million or .1%, while expenses decreased by $21 million or .1%. The revenue increases of $326 million (11.1%) in charges for services, $263 million (3.5%) in the income tax, $180 million (4.6%) in the sales and use tax, and $121 million (17.2%) in Federal transportation capital grants, were offset by a decrease of $1.1 billion (12.2%) in total Federal operating grants.

Increases in health care program expenses of $279 million (2.9%) were largely offset by decreases in expenses for public safety of $120 million (5.5%) and education of $105 million (1.3%).

The decrease in operating grants was primarily due to decreases in federal revenues for education, $527 million, and for Medicaid, $420 million, from Federal stimulus funds. The increase in health care program expenses results from growth in payments to Medicaid providers.

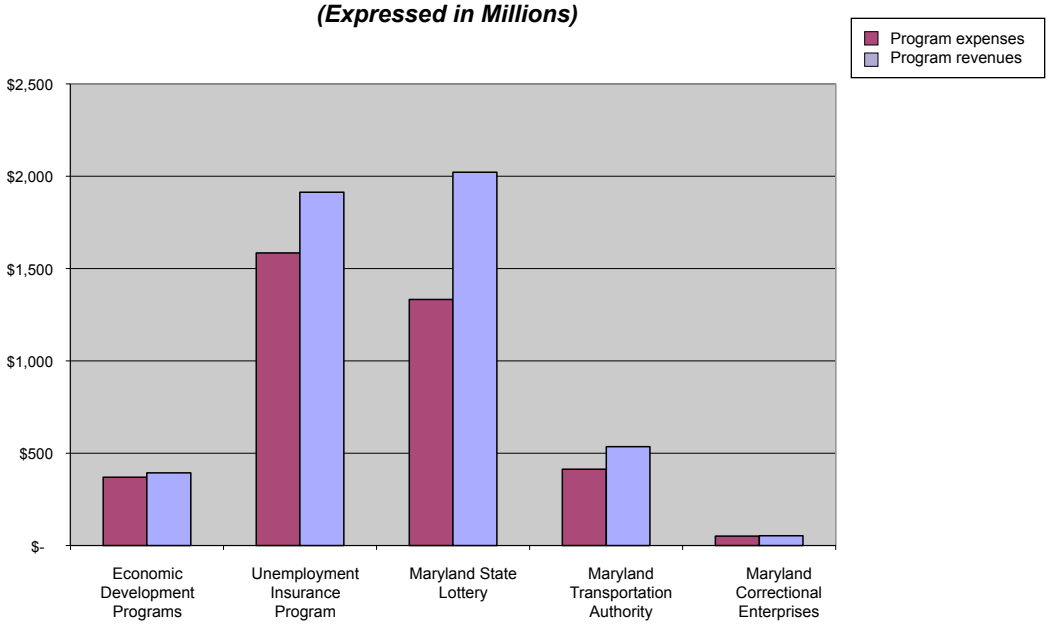
Business-type Activities

Business-type activities increased the State's net assets by $1.3 billion before transfers of $593 million to governmental activities, for a net increase of $666 million in net assets. The increase compares to an increase of $960 million before transfers of $527 million in the prior year. Key elements of this increase are as follows:

- Net assets for the Maryland Transportation Authority increased by $173 million compared to an increase of $200 million in the prior year. Net operating income was $223 million compared to $259 million in the prior year. In the current year, $46 million was transferred from the State's capital projects fund for the Inter-county Connector Project. Non-operating revenues and expenses decreased by $37 million for loss on disposals due to the replacement of major infrastructure that was not fully depreciated and interest expense.

- The Unemployment Insurance Program net assets increased by $327 million in 2012. Net assets increased by $190 million in the prior year. Operating activities resulted in a deficit of $449 million compared to the prior year's operating deficit of $606 million. Charges for services (unemployment taxes) increased by $113 million (11.0%) and benefit payments were reduced $44 million (2.7%). Both the amounts of taxes paid by Maryland employers and the amount of benefits received by the unemployed are products of the economic climate. Federal payments for extended benefits and other programs decreased by $27 million (3.4%).

2012 Expenses and Program Revenues - Business-type Activities
(Expressed in Millions)



- Net assets for the Economic Development Loan Programs increased by $155 million compared to an increase of $68 million in the prior year. This is primarily due to the sale of $84 million of premium tax credits to insurance companies with operations in Maryland to provide start-up capital for Maryland businesses.

- Lottery ticket sales were $1.8 billion, an increase of $80 million (4.7%) over the previous year. The Lottery also regulates casinos. During the year, a third casino was opened. Gross terminal revenue generated from video lottery terminals (VLTs) at these casinos totaled $195 million, an increase of $92 million (89.2%) over the previous year. Operating expenses increased by $77 million (6.1%) in 2012. The increase in operating expenses in 2012 is attributed to prizes due to players and the costs incurred to regulate the casinos. Transfers to governmental activities by the Lottery were $685 million in 2012, an increase of $99 million (16.8%) over 2011.

Financial Analysis of the State's Funds

As of the end of the current fiscal year, the State's governmental funds reported a combined fund balance of $1.6 billion, a decrease of $281 million from the prior year. The combined fund balance includes a deficit of $1.1 billion in unassigned for governmental funds, including a deficit of $681 million for the general fund and a deficit of $431 million for the other governmental funds. The remainder of the fund balance is nonspendable, restricted, or committed based on the constraints on the specific purposes for which amounts in that fund can be spent. The remainder of the fund balance is 1) unspendable because it is in the form of prepaid items, inventories and long-term loans and notes receivable ($667 million); 2) restricted by outside parties or to pay debt service on general obligation bonds from specific taxes ($229 million); or 3) committed to legislated purposes or to liquidate contracts and purchase orders of the prior period ($1.8 billion). Included in committed fund balance is $674 million in the "State Reserve Fund" which is set aside to meet future financial needs. By law, the Governor must appropriate to the State Reserve Fund, the general fund surplus of the second preceding fiscal year that exceeds $60,000,000. The unassigned general fund deficit plus the amount in the State Reserve Fund, is approximately .0% of the total annual expenditures in governmental funds, compared with 1.1% for the prior year.

General Fund

The general fund is the major operating fund of the State. At the end of the current fiscal year, the unassigned fund balance deficit of the general fund was $681 million, while total fund balance was $1.1 billion. The fund balance of the State's general fund decreased by $263 million during 2012, compared to an increase of $91 million for 2011. Revenues decreased by $188 million (.8%) to $24.6 billion while expenditures increased by $280 million (1.1%) to $25.6 billion.

The decrease in revenues of $188 million from the prior year was primarily due to a decrease in Federal revenues, $918 million (10.0%) offsetting increases in income taxes, $183 million (2.4%), sales and use taxes, $180 million (4.6%), and charges for service, $165 million (11.4%).

General fund expenditures increased by $280 million. Expenditures for health and mental hygiene increased by $331 million (3.5%) for growth in Medicaid provider payments.

Transfers out from the general fund were $302 million this year compared to $451 million for the prior year. This decrease was due primarily to a decrease of $165 million to the Maryland Department of Transportation special revenue fund largely as a result of the 2011 legislative session's redirection of 5.3% of sales tax revenues from the Transportation Trust Fund to the general fund.

Special Revenue Fund

The Maryland Department of Transportation special revenue fund accounts for resources used for operation of the State's transportation activities, not including debt service and pension activities. The fund balance of the Department's special revenue fund was $227 million as of June 30, 2012, a decrease of $104 million (31.6%) from the prior fiscal year. Revenues increased by $127 million (3.9%), expenditures increased by $306 million (10.0%), and other sources of financial resources increased by $79 million. The increase in revenues was primarily from an increase in motor

vehicle taxes and fees and Federal revenue, the increase in expenditures was primarily from an increase in current expenditures, and the increase in other sources of financial resources was substantially due to bonds issued during the year.

Budgetary Highlights

Differences between the original budget and final amended budget, and the final budget and actual expenditures for the general fund for the year are summarized as follows. The budgetary schedule may be found in the Required Supplementary Information Section.

Overall, the change between the original and final amended budget was an increase of $189 million or 1.3%, due primarily to an increase of $179 million in appropriations of the Department of Education.

The difference between the final budget, $15.0 billion and actual expenditures, $14.9 billion was $76 million, or .5 %. This amount was encumbered for future spending. The variance was primarily due to the cancellation of current and prior year encumbrances. Appropriations were cancelled primarily for legislative and business and economic development functions.

Capital Assets and Debt Administration

Capital assets

At June 30, 2012, the State had invested $24.5 billion (net of accumulated depreciation) in a broad range of capital assets (see table below). Depreciation expense for the fiscal year totaled $1.1 billion ($1.1 billion for governmental activities and $60 million for business-type activities). The increase in the State's investment in capital assets, net of depreciation expense, for the current fiscal year was $629 million (an increase of $248 million for governmental activities and an increase of $381 million for business-type activities).

Capital Assets as of June 30,

(Net of Depreciation, Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and improvements	$ 3,224	$ 3,269	$ 384	$ 411	$ 3,608	$ 3,680
Art and historical treasures	9	9			9	9
Structures and improvements	3,654	3,647	37	29	3,691	3,676
Equipment	820	857	78	64	898	921
Infrastructure	9,231	9,250	3,532	1,320	12,763	10,570
Construction in progress	2,558	2,216	1,007	2,833	3,565	5,049
Total	$ 19,496	$ 19,248	$ 5,038	$ 4,657	$ 24,534	$ 23,905

Major capital asset events during the current fiscal year for governmental activities include continued widening and/or expansion of existing highways and bridges, and various transit, port and motor vehicle administration construction projects; the preservation of agricultural and open space land through the purchase of easements; improvements to the statewide telecommunications network; energy efficiency improvements in State buildings; interior building improvements in legislative buildings; acquisition of helicopters for the State Police; and improvements at police and correctional facilities. Elements of the increases in capital assets of business-type activities include the Inter-County Connector and electronic toll lane projects, which resulted in an increase in infrastructure, and the restoration of existing facilities.

Additional information on the State's capital assets can be found in footnote 10 of this report.

Long-term debt

The State is empowered by law to authorize, issue and sell general obligation bonds, which are backed by the full faith and credit of the State. The State also issues dedicated revenue bonds for the Department of Transportation and various business-type activities. The payment of principal and interest on revenue bonds comes solely from revenues received from the respective activities. This dedicated revenue debt is not backed by the State's full faith and credit.

At June 30, 2012, the State had outstanding bonds totaling $15.5 billion. Of this amount, $7.5 billion were general obligation bonds, backed by the full faith and credit of the State. The remaining $8.0 billion were secured solely by the specified revenue sources.

Outstanding Bond Debt as of June 30,

(Expressed in Millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds (backed by the State)	$ 7,541	$ 6,983			$ 7,541	$ 6,983
Transportation Bonds (backed by specific revenues)	1,563	1,562			1,563	1,562
Revenue bonds (backed by specific revenues)			$ 6,377	$ 6,505	6,377	6,505
Total	$ 9,104	$ 8,545	$ 6,377	$ 6,505	$ 15,481	$ 15,050

The total increase in bonded debt in the current fiscal year was $431 million ($558 million increase related to general obligation bonds, $1 million increase related to transportation bonds, and $128 million decrease related to revenue bonds). The State's general obligation bonds are rated by Aaa by Moody's and AAA by Standard and Poors and Fitch. During fiscal year 2012, the State issued general obligation debt totaling $1.5 billion at a premium of $202 million. Of this amount, $393 million and related premium of $70 million was for refunding bonds. On August 14, 2012 (fiscal year 2013), the State issued general obligation bonds aggregating $543 million for capital improvements and general obligation refunding bonds in the amount of $184 million.

State law limits the amount of Consolidated Transportation Bonds, dedicated revenue debt that may be outstanding as of June 30 to the amount authorized in the budget, and this amount may not exceed $2.6 billion. The aggregate principal amount of these bonds that was authorized to be outstanding as of June 30, 2012, was $1.9 billion. The actual amount in Consolidated Transportation Bonds outstanding was $1.6 billion.

Additional information on the State's long-term debt can be found in footnote 11 of this report.

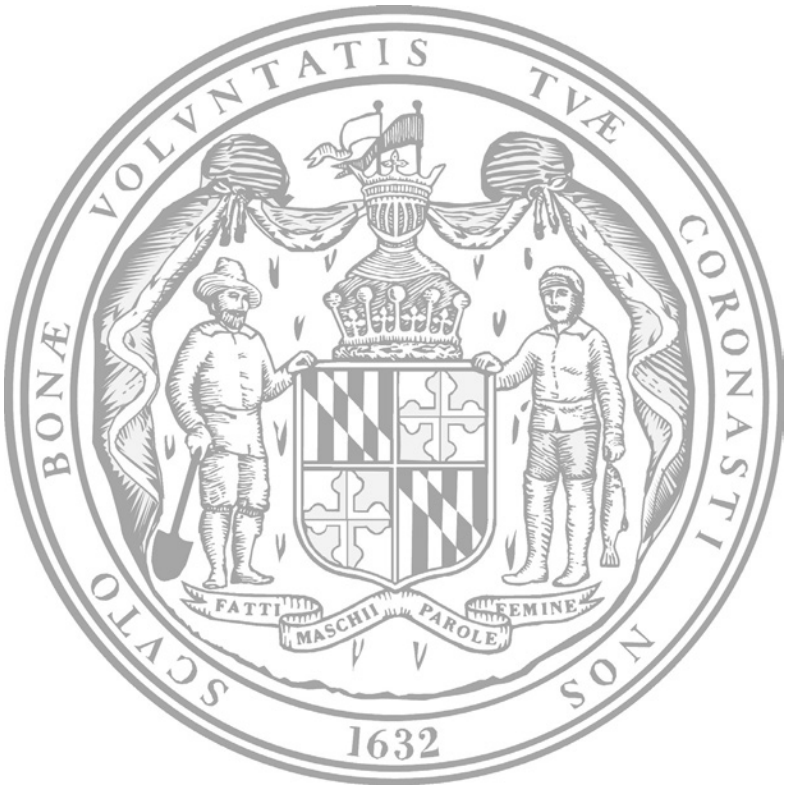
Economic Factors and Next Year's Budget

Certain key economic factors are reflected in the development of the State's fiscal year 2013 budget. Year-to-date, Maryland's gross state product has grown at approximately 3.1%, an increase from 0.6% growth in 2011. As of September 2012, Maryland's unemployment rate stands at 6.9%, still elevated relative to a pre-recession average of 3.7%. Total wage growth is up 4.0% year-to-date after growth of 3.6% in 2011.

Total fund spending in the fiscal year 2013 budget is $35.9 billion, an increase of 2.9% over the previous year. The budget reflects reforms to the State's pension system and retiree health care program described in Notes 15 and 16 to the financial statements, but allows for a 2% State employee cost of living increase effective January 1, 2013.

Requests for Information

This financial report is designed to provide a general overview of the State's finances for all those with an interest in the State's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Accounting Division, Office of the Comptroller, P.O. Box 746, Annapolis, Maryland, 21404.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FINANCIAL

Statements

STATE OF MARYLAND
Statement of Net Assets
June 30, 2012
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash	$ 209,234	$ 46,279	$ 255,513	$ 184,489
Equity in pooled invested cash	881,162	605,673	1,486,835	1,771,640
Investments	246,170	513,282	759,452	675,731
Endowment investments				194,736
Foundation investments				974,529
Inventories	114,811	15,532	130,343	13,857
Prepaid items	558,992		558,992	6,171
Deferred charges	26,026		26,026	3,061
Taxes receivable, net	1,220,335		1,220,335	
Intergovernmental receivables	1,325,990		1,325,990	
Tuition contracts receivable				238,155
Due from primary government				3,385
Due from component units	36,434		36,434	
Other accounts receivable	627,033	128,618	755,651	384,737
Loans and notes receivable, net	16,602	736,029	752,631	75,780
Investment in direct financing leases		343,373	343,373	210,676
Other assets	33,150	33,992	67,142	19,100
Collateral for lent securities	327,765		327,765	
Restricted assets:				
Cash	39,827	1,578,075	1,617,902	76,073
Equity in pooled invested cash	192,262	87,968	280,230	
Investments	6,922	1,153,384	1,160,306	36,422
Deferred charges		16,509	16,509	
Deferred outflow on interest rate swaps		35,862	35,862	
Taxes receivable, net	6,328		6,328	
Loans and notes receivable, net	2,377	2,765,468	2,767,845	
Other accounts receivable	486	394,825	395,311	
Capital assets, net of accumulated depreciation:				
Land	3,223,988	383,687	3,607,675	184,018
Art and historical treasures	9,370		9,370	
Structures and other improvements	3,653,611	37,257	3,690,868	4,043,164
Equipment	820,057	77,974	898,031	443,254
Infrastructure	9,230,396	3,532,247	12,762,643	202,044
Construction in progress	2,558,320	1,007,407	3,565,727	481,667
Total capital assets	19,495,742	5,038,572	24,534,314	5,354,147
Total assets	25,367,648	13,493,441	38,861,089	10,222,689

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Liabilities				
Salaries payable	$ 216,665		$ 216,665	$ 135,571
Vouchers payable	544,296		544,296	
Accounts payable and accrued liabilities	2,315,913	$ 354,903	2,670,816	212,688
Internal balances	(110,682)	110,682		
Due to primary government				36,434
Accounts payable to political subdivisions	207,542		207,542	
Unearned revenue	234,341	23,554	257,895	225,800
Interest rate swaps		35,862	35,862	
Accrued insurance on loan losses		14,233	14,233	4,076
Other liabilities				1,682
Collateral obligations for lent securities	327,765		327,765	
Bonds and notes payable:				
Due within one year	694,919	221,825	916,744	112,125
Due in more than one year	9,041,246	6,155,403	15,196,649	1,412,329
Other noncurrent liabilities:				
Due within one year	374,798	62,394	437,192	159,716
Due in more than one year	7,543,525	125,376	7,668,901	891,693
Total liabilities	21,390,328	7,104,232	28,494,560	3,192,114
Net Assets				
Invested in capital assets, net of related debt	13,771,338	2,314,382	16,085,720	4,079,633
Restricted for:				
Debt service	228,256	104,916	333,172	7,692
Capital improvements		43,859	43,859	20,451
Higher education-nonexpendable				651,740
Higher education-expendable				498,168
Unemployment compensation benefits		1,016,334	1,016,334	
Loan programs		967,311	967,311	74,414
Insurance programs		87,054	87,054	
Other	1,192		1,192	
Unrestricted (deficit)	(10,023,466)	1,855,353	(8,168,113)	1,698,477
Total net assets	$ 3,977,320	$ 6,389,209	$ 10,366,529	$ 7,030,575

STATE OF MARYLAND
Statement of Activities
For the Year Ended June 30, 2012
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Business-type Activities	Net (Expense) Revenues and Changes in Net Assets: Primary Government: Total	Component Units
Primary government -								
Governmental activities:								
General government	$ 871,352	$ 500,747	$ 97,606	$ 45,856	$ (227,143)		$ (227,143)	
Health and mental hygience	9,870,227	1,332,658	4,433,819		(4,103,750)		(4,103,750)	
Education	7,790,385	95,721	1,123,114		(6,571,550)		(6,571,550)	
Aid for higher education	1,898,244	27,253	2,800		(1,868,191)		(1,868,191)	
Human resources	2,551,033	75,113	1,748,456		(727,464)		(727,464)	
Public safety	2,078,085	117,088	131,663	5,205	(1,824,129)		(1,824,129)	
Transportation	3,155,703	541,961	92,738	830,922	(1,690,082)		(1,690,082)	
Judicial	649,324	434,276	6,735		(208,313)		(208,313)	
Labor, licensing and regulation	279,632	30,900	172,465		(76,267)		(76,267)	
Natural resources and recreation	207,840	40,129	26,388	2,145	(139,178)		(139,178)	
Housing and community development	347,008	11,526	318,816		(16,666)		(16,666)	
Environment	108,213	36,292	27,980		(43,941)		(43,941)	
Agriculture	46,645	19,750	3,872		(23,023)		(23,023)	
Business and economic development	78,406	8,599	1,666		(68,141)		(68,141)	
Intergovernmental grants and revenue sharing	614,685				(614,685)		(614,685)	
Interest	498,757	394	11,498		(486,865)		(486,865)	
Total governmental activities	31,045,539	3,272,407	8,199,616	884,128	(18,689,388)		(18,689,388)	
Business-type activities:								
Economic development - insurance programs	4,689	7,952		1,069		$ 4,332	4,332	
Economic development - general loan programs	20,106	12,448	4,486			(3,172)	(3,172)	
Economic development - water quality loan programs	142,280	82,507	73,447			13,674	13,674	
Economic development - housing loan programs	204,117	151,981	59,533			7,397	7,397	
Unemployment insurance program	1,585,495	1,136,677	776,210			327,392	327,392	
Maryland State Lottery	1,331,899	2,022,445				690,546	690,546	
Maryland Transportation Authority	412,509	532,042	3,543			123,076	123,076	
Maryland Correctional Enterprises	50,754	53,026				2,272	2,272	
Total business-type activities	3,751,849	3,999,078	917,219	1,069		1,165,517	1,165,517	
Total primary government	34,797,388	7,271,485	9,116,835	885,197	(18,689,388)	1,165,517	(17,523,871)	

Component Units-								
Higher education	4,606,117	2,143,100	1,431,286	212,671				$ (819,060)
Maryland Prepaid College Trust	75,742	68,370						(7,372)
Maryland Stadium Authority	65,873	34,226	19,347					(12,300)
Other component units	136,882	116,759	21,739					1,616
Total component units	$ 4,884,614	$ 2,362,455	$ 1,472,372	$ 212,671				$ (837,116)
General revenues:								
Income taxes					7,868,089		7,868,089	
Sales and use taxes					4,078,000		4,078,000	
Motor vehicle taxes					1,988,153		1,988,153	
Tobacco taxes					411,427		411,427	
Insurance company taxes					428,023		428,023	
Property taxes					994,439		994,439	
Estate & inheritance taxes					221,206		221,206	
Other taxes					296,068		296,068	
InvestMD tax credits						84,000	84,000	
Grants and contributions not restricted to specific programs								1,192,554
Unrestricted investment earnings					155,587	10,329	165,916	54,667
Additions to permanent endowments								4,685
Transfers					593,478	(593,478)		
Total general revenues, additions to permanent endowments, and transfers					17,034,470	(499,149)	16,535,321	1,251,906
Changes in net assets					(1,654,918)	666,368	(988,550)	414,790
Net assets, beginning of the year					5,632,238	5,722,841	11,355,079	6,615,785
Net assets, end of the year					$ 3,977,320	$ 6,389,209	$ 10,366,529	$ 7,030,575

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Balance Sheet
Governmental Funds
June 30, 2012
(Expressed in Thousands)

	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash	$ 207,616	$ 1,618		$ 209,234
Equity in pooled invested cash	869,243		$ 11,919	881,162
Investments	6,432		239,738	246,170
Prepaid items	441,714	94,599		536,313
Taxes receivable, net	1,095,686	124,649		1,220,335
Intergovernmental receivables	945,780	378,912	1,298	1,325,990
Other accounts receivable	598,137	28,891	5	627,033
Due from other funds	103,685	135,752		239,437
Due from component units	36,434			36,434
Inventories	28,317	86,494		114,811
Loans and notes receivable, net	16,602			16,602
Collateral for lent securities	327,765			327,765
Restricted assets:				
Cash		15,826		15,826
Cash with fiscal agent			24,001	24,001
Equity in pooled invested cash			192,262	192,262
Investments	4,120		2,802	6,922
Taxes receivable, net			6,328	6,328
Other accounts receivable			486	486
Loans and notes receivable, net			2,377	2,377
Total assets	$ 4,681,531	$ 866,741	$ 481,216	$ 6,029,488
Liabilities:				
Salaries payable	$ 178,667	$ 37,998		$ 216,665
Vouchers payable	418,101	58,718	$ 67,477	544,296
Accounts payable and accrued liabilities	1,301,648	282,758	39,224	1,623,630
Due to other funds	624,879	36,009	17,867	678,755
Accounts payable to political subdivisions	117,764	34,730	55,048	207,542
Deferred revenue	527,440	189,347		716,787
Accrued self-insurance costs	108,166			108,166
Collateral obligations for lent securities	327,765			327,765
Total liabilities	3,604,429	639,561	179,616	4,423,606
Fund balances:				
Nonspendable	485,654	181,093		666,747
Restricted	632	560	228,256	229,448
Committed	1,271,765	45,527	504,760	1,822,052
Unassigned	(680,949)		(431,416)	(1,112,365)
Total fund balances	1,077,102	227,180	301,600	1,605,882
Total liabilities and fund balances	$ 4,681,531	$ 866,741	$ 481,216	$ 6,029,488

The accompanying notes to the financial statement are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Governmental Funds' Fund Balance to the Statement of Net Assets', Net Assets Balance
June 30, 2012
(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Assets (pages 24-25)		
differ from the amounts for the governmental funds' fund balances because of:		
Amount in governmental funds, fund balance (page 28)	$	1,605,882
Capital assets used in governmental activities are not financial resources		
and, therefore, are not reported in the funds		19,495,742
Taxes and other receivables that will not be available to pay for current period		
expenditures and, therefore, are deferred in the funds		482,446
Accrued interest payable on bonds and capital leases are not liquidated		
with current financial resources in the governmental funds		(142,282)
Deferred charges not available to pay for current period expenditures		52,540
Other assets not available to pay for current period expenditures		29,315
Long-term liabilities are not due and payable in the current period		
and, therefore are not reported in the funds:		
General Obligation Bonds		(7,541,102)
Deferred charges to be amortized over the life of the debt		158,187
Premiums to be amortized over the life of the debt		(698,753)
Transportation Bonds		(1,562,630)
Deferred charges to be amortized over the life of the debt		15,000
Premiums to be amortized over the life of the debt		(106,867)
Accrued self-insurance costs		(224,078)
Accrued annual leave		(338,846)
Pension liabilities		(2,412,207)
Other post-employment benefits liability		(3,700,807)
Pollution remediation		(167,891)
Obligation under capital leases		(755,653)
Obligations under capital leases with component units		(210,676)
Net assets of governmental activities (page 25)	$	3,977,320

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

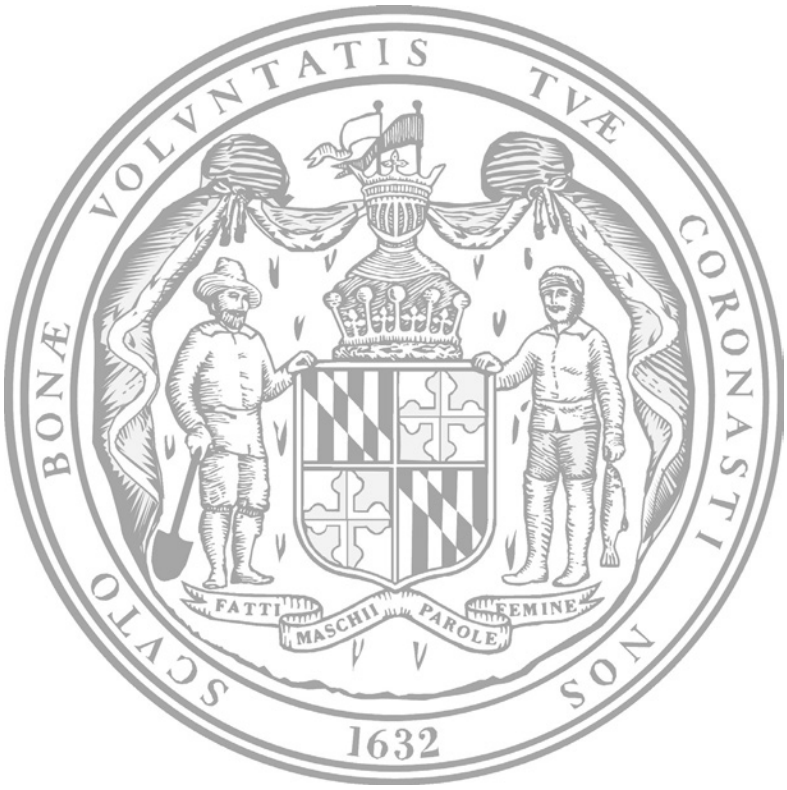
	General	Special Revenue Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes	$ 7,822,259			$ 7,822,259
Sales and use taxes	4,076,729			4,076,729
Motor vehicle taxes and fees		$ 1,988,153		1,988,153
Tobacco taxes	411,427			411,427
Insurance company taxes	428,023			428,023
Property taxes	240,428		$ 754,011	994,439
Estate & inheritance taxes	221,206			221,206
Other taxes	296,068			296,068
Other licenses and fees	714,891			714,891
Charges for services	1,611,811	538,482	39	2,150,332
Interest and other investment income	83,924	2,750	1,395	88,069
Federal revenue	8,241,894	850,632	11,498	9,104,024
Other	401,447	1,607	2,209	405,263
Total revenues	24,550,107	3,381,624	769,152	28,700,883
Expenditures:				
Current:				
General government	831,756			831,756
Health and mental hygiene	9,772,861			9,772,861
Education	7,091,348		309,854	7,401,202
Aid to higher education	1,608,677		289,097	1,897,774
Human resources	2,488,200			2,488,200
Public safety	1,875,795			1,875,795
Transportation		1,472,418		1,472,418
Judicial	590,082			590,082
Labor, licensing and regulation	261,615			261,615
Natural resources and recreation	179,682			179,682
Housing and community development	344,408			344,408
Environment	96,116			96,116
Agriculture	79,294			79,294
Business and economic development	75,835			75,835
Intergovermental grants and revenue sharing	316,863	650,629	297,822	1,265,314
Capital outlays		1,231,241	43,350	1,274,591
Debt service:				
Principal retirement			645,024	645,024
Interest			399,710	399,710
Bond issuance costs	780		3,576	4,356
Total expenditures	25,613,312	3,354,288	1,988,433	30,956,033
Excess (Deficiency) of revenues over (under) expenditures	(1,063,205)	27,336	(1,219,281)	(2,255,150)
Other financing sources (uses):				
Capital leases	4,593	209,407		214,000
Bonds issued		114,981	1,112,420	1,227,401
Refunding bonds issued		161,435	393,295	554,730
Bond premium		47,562	202,455	250,017
Refunding of capital leases		(190,560)		(190,560)
Payments to refunded bond escrow agent		(213,173)	(461,809)	(674,982)
Transfers in	1,098,506	203,243	250,340	1,552,089
Transfers out	(302,402)	(464,699)	(191,510)	(958,611)
Total other sources (uses) of financial resources	800,697	(131,804)	1,305,191	1,974,084
Net changes in fund balances	(262,508)	(104,468)	85,910	(281,066)
Fund balances, beginning of the year	1,339,610	331,648	215,690	1,886,948
Fund balances, end of the year	$ 1,077,102	$ 227,180	$ 301,600	$ 1,605,882

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Reconciliation of the Statement of the Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012
(Expressed in Thousands)

Amounts reported for governmental activities in the Statement of Net Activities (pages 26-27) are different from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds because of the following:		
Net change in fund balances - total governmental funds (page 30)		$ (281,066)
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.		
Capital outlays	$ 1,356,349	
Depreciation expense	(1,088,401)	267,948
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
Net loss on disposals and trade-ins		(20,307)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Deferred revenues for taxes are recognized net of revenue already recognized in the prior year	47,098	
Deferred revenues for other revenues are recognized, net of revenue already recognized in the prior year	9,076	
Revenues from other assets are recognized, net of revenue already recognized in the prior year	23,264	79,438
The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long term debt and related items.		
Debt issued, General Obligation Bonds	(1,043,887)	
Debt issued, Transportation Bonds	(103,635)	
Capital lease financing	(23,440)	
Premiums, discounts and issuance costs	(176,178)	
Principal repayments:		
General Obligation Bonds	542,179	
Transportation Bonds	102,845	
Capital leases	27,480	(674,636)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Accrued interest	(3,790)	
Compensated absences	(9,899)	
Self-insurance	7,014	
Net pension obligation	(639,605)	
Other post-employment benefits liability	(369,939)	
Pollution remediation liabilities	(10,076)	(1,026,295)
Change in net assets of governmental activities (page 27)		$ (1,654,918)

The accompanying notes to the financial statements are an integral part of this financial statement.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STATE OF MARYLAND

ENTERPRISE FUND FINANCIAL STATEMENTS

Major Funds

Economic Development Loan Programs

This fund includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

Unemployment Insurance Program

This fund reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment assessments collected from employers, Federal revenue received and remittance of benefits to the unemployed.

Maryland State Lottery Agency

This fund accounts for the operation of the State Lottery and the regulation of the operation of the Video Lottery Terminal program.

Maryland Transportation Authority

This fund accounts for the activity of the Maryland Transportation Authority, which is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Non-major Funds

Other Enterprise Funds

Individual non-major enterprise funds are presented in the combining section following the footnotes.

STATE OF MARYLAND
Statement of Fund Net Assets
Enterprise Funds
June 30, 2012
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Assets-						
Current assets:						
Cash			$ 3,150	$ 43,129		$ 46,279
Equity in pooled invested cash	$ 503,273		86,593		$ 15,807	605,673
Investments	1,370			451,046		452,416
Other accounts receivable	63,056		41,256	18,613	5,693	128,618
Due from other funds	31,988	$ 2,664		4,532		39,184
Inventories				4,792	10,740	15,532
Loans and notes receivable, net	30,607				150	30,757
Investment in direct financing leases				1,674		1,674
Other assets	172		35	1,000	7,171	8,378
Current restricted assets:						
Cash	484,741	1,206	28,239	259,192		773,378
Cash on deposit with U.S. Treasury		804,697				804,697
Equity in pooled invested cash					87,968	87,968
Investments	23,489		17,050	400,015		440,554
Loans and notes receivable, net	104,597					104,597
Other accounts receivable	122,422	272,157	211			394,790
Total current assets	1,365,715	1,080,724	176,534	1,183,993	127,529	3,934,495
Non-current assets:						
Investments	58,847				2,019	60,866
Loans and notes receivable, net	705,005				267	705,272
Investment in direct financing leases				341,699		341,699
Other assets				25,614		25,614
Restricted non-current assets:						
Investments	653,638		59,192			712,830
Deferred charges	16,509					16,509
Deferred outflow on interest rate swaps	35,862					35,862
Loans and notes receivable, net	2,660,871					2,660,871
Other accounts receivable	35					35
Capital assets, net of accumulated depreciation:						
Land				383,687		383,687
Structures and improvements				34,436	2,821	37,257
Equipment	4		49,230	23,823	4,917	77,974
Infrastructure				3,532,211	36	3,532,247
Construction in progress				1,007,407		1,007,407
Total non-current assets	4,130,771		108,422	5,348,877	10,060	9,598,130
Total assets	5,496,486	1,080,724	284,956	6,532,870	137,589	13,532,625

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Liabilities-						
Current liabilities:						
Accounts payable and accrued liabilities	$ 71,256	$ 64,390	$ 77,296	$ 139,761	$ 2,200	$ 354,903
Due to other funds	759		71,449	77,658		149,866
Accrued insurance on loan losses	930				13,303	14,233
Other liabilities	6,317		43,696	11,146	1,235	62,394
Deferred revenue	35		2,685	18,711	2,123	23,554
Revenue bonds payable - current	109,390			112,435		221,825
Total current liabilities	188,687	64,390	195,126	359,711	18,861	826,775
Non-current liabilities:						
Interest rate swaps	35,862					35,862
Other liabilities	23,848		77,672	21,108	2,748	125,376
Revenue bonds payable	2,919,604			3,235,799		6,155,403
Total non-current liabilities	2,979,314		77,672	3,256,907	2,748	6,316,641
Total liabilities	3,168,001	64,390	272,798	3,616,618	21,609	7,143,416
Net Assets:						
Invested in capital assets, net of related debt	4		(6,983)	2,313,587	7,774	2,314,382
Restricted for:						
Debt service				104,916		104,916
Capital improvements				43,859		43,859
Unemployment compensation benefits		1,016,334				1,016,334
Loan programs	967,311					967,311
Insurance programs					87,054	87,054
Unrestricted	1,361,170		19,141	453,890	21,152	1,855,353
Total net assets	$ 2,328,485	$ 1,016,334	$ 12,158	$ 2,916,252	$ 115,980	$ 6,389,209

-The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Program	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Operating revenues:						
Lottery ticket sales			$ 1,794,893			$ 1,794,893
Charges for services and sales	$ 71,320	$ 1,136,677	196,884	$ 524,857	$ 56,979	1,986,717
Loan and grant recoveries	4,652					4,652
Unrestricted interest on loan income	14,432				532	14,964
Restricted interest on loan income	138,674					138,674
Other	10,453		30,668	7,185	3,467	51,773
Total operating revenues	239,531	1,136,677	2,022,445	532,042	60,978	3,991,673
Operating expenses:						
Prizes and claims			1,065,654			1,065,654
Commissions and bonuses			118,305			118,305
Cost of sales and services			21,687		41,601	63,288
Operation and maintenance of facilities				231,415		231,415
General and administrative	41,717		114,525	29,739	12,361	198,342
Benefit payments		1,585,495				1,585,495
Capital grant distributions	130,447					130,447
Depreciation and amortization	4		10,817	47,919	1,363	60,103
Provision for insurance on loan losses	38,470					38,470
Other	19,275					19,275
Total operating expenses	229,913	1,585,495	1,330,988	309,073	55,325	3,510,794
Operating income (loss)	9,618	(448,818)	691,457	222,969	5,653	480,879
Non-operating revenues (expenses):						
Unrestricted interest and other investment income	5,543		811	3,975		10,329
Restricted interest and other investment income	60,158	14,609		3,543	1,069	79,379
Interest expense	(130,192)		(911)	(86,487)		(217,590)
Federal grants and distributions	77,308	761,601				838,909
InvestMD tax credits	84,000					84,000
Other	1,008			(16,949)	(118)	(16,059)
Total non-operating revenues (expenses)	97,825	776,210	(100)	(95,918)	951	778,968
Income (loss) before transfers	107,443	327,392	691,357	127,051	6,604	1,259,847
Transfers in	142,478			46,155		188,633
Transfers out	(94,589)		(685,146)		(2,376)	(782,111)
Change in net assets	155,332	327,392	6,211	173,206	4,228	666,369
Total net assets - beginning	2,173,153	688,942	5,947	2,743,046	111,752	5,722,840
Total net assets - ending	$ 2,328,485	$ 1,016,334	$ 12,158	$ 2,916,252	$ 115,980	$ 6,389,209

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Cash flows from operating activities:						
Receipts from customers	$ 470,596	$ 1,114,883	$ 2,037,011	$ 518,337	$ 58,476	$ 4,199,303
Payments to suppliers	(2,023)		(61,321)	(146,282)	(36,713)	(246,339)
Payments to employees	(14,751)		(12,382)	(138,549)	(19,562)	(185,244)
Program loan disbursements	(200,213)					(200,213)
Other receipts	74,163			12,485	2,039	88,687
Other payments	(180,134)	(1,558,309)	(184,180)		(15,499)	(1,938,122)
Lottery prize payments			(1,067,073)			(1,067,073)
Net cash from operating activities	147,638	(443,426)	712,055	245,991	(11,259)	650,999
Cash flows from non-capital financing activities:						
Proceeds from the sale of revenue bonds	135,042			67,457		202,499
Payment on revenue bonds	(265,070)					(265,070)
Interest payments	(138,889)					(138,889)
Proceeds from InvestMD tax credits	28,000					28,000
Transfers in	133,940		(0)	46,155		180,095
Transfers out	(93,830)		(702,991)		(2,376)	(799,197)
Grants	79,816	761,601				841,417
Lottery installment payments			(21,380)			(21,380)
Net cash from non-capital financing activities:	(120,991)	761,601	(724,371)	113,612	(2,376)	27,475
Cash flows from capital and related financing activities:						
Proceeds from notes payable and revenue bonds				125,941		125,941
Principal paid on notes payable and revenue bonds				(152,093)		(152,093)
Interest payments			(796)	(129,189)		(129,985)
Proceeds from sales of capital assets					3	3
Acquisition of capital assets				(398,727)	(777)	(399,504)
Payment of capital lease obligations			(10,287)			(10,287)
Net cash from capital & related financing activities			(11,083)	(554,068)	(774)	(565,925)
Cash flows from investing activities:						
Purchase of investments	(282,719)		(743)	(854,498)		(1,137,960)
Proceeds from maturity and sale of investments..	147,150		21,380	879,130		1,047,660
Interest on investments	17,372	14,609		10,834	1,069	43,884
Net cash from investing activities	(118,197)	14,609	20,637	35,466	1,069	(46,416)
Net change in cash and cash equivalents	(91,550)	332,784	(2,762)	(158,999)	(13,340)	66,133
Balance - beginning of the year, as restated	1,079,564	473,119	120,744	461,320	117,115	2,251,862
Balance - end of the year	$ 988,014	$ 805,903	$ 117,982	$ 302,321	$ 103,775	$ 2,317,995

STATE OF MARYLAND
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2012
(Continued)
(Expressed in Thousands)

	Economic Development Loan Programs	Unemployment Insurance Programs	Maryland State Lottery Agency	Maryland Transportation Authority	Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	$ 9,618	$ (448,818)	$ 691,457	$ 222,969	$ 5,653	$ 480,879
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	4		10,817	47,919	1,363	60,103
Deferred prize payment			743			743
Effect of changes in assets and liabilities:						
Other accounts receivable	4,001	(21,652)	(10,404)	(6,034)	3,145	(30,944)
Due from other funds	(1,324)	(142)		(187)		(1,653)
Inventories				(386)	(1,576)	(1,962)
Loans and notes receivable	114,385				35	114,420
Other assets	(172)		14		(7,386)	(7,544)
Investments	3,232					3,232
Accounts payable and accrued liabilities	(617)	27,186	21,296	(36,352)	(276)	11,237
Due to other funds	(1,021)		(1,709)	12,163		9,433
Accrued insurance on loan losses	14,824				(10,981)	3,843
Other liabilities	4,709		37	898	490	6,134
Deferred revenue	(1)		(196)	5,001	(1,726)	3,078
Total adjustments	138,020	5,392	20,598	23,022	(16,912)	170,120
Net cash from operating activities	$ 147,638	$ (443,426)	$ 712,055	$ 245,991	$ (11,259)	$ 650,999
Noncash transactions (amounts expressed in thousands):						
Unrealized gain(loss) on investments	$ 29,043		$ 811	$ 2,565		
Additions to (disposals of) capital assets			21,613	(2,517)		

The accompanying notes to the financial statements are an integral part of these financial statements.

STATE OF MARYLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund	Agency Funds
Assets:				
Cash	$ 2,188,524		$ 5	$ 54,966
Equity in pooled invested cash				819,273
Investments:				
U.S. Treasury and agency obligations	1,956,925	$ 1,452,140	20,614	
Repurchase agreements		295,969		
Bonds	3,754,682		30,819	
Corporate equity securities	13,128,646		133,557	
Commercial paper		219,545		
Mortgage related securities	2,502,750			
Mutual funds	8,850,972	290,009		
Guaranteed investment contracts	784,209			
Real estate	1,517,168		21,959	
Annuity contracts	99,964			
Private equity	2,107,611			
Alternative investments	42,395			
Investments held by borrowers under securities lent with cash collateral	3,478,596			
Total investments	38,223,918	2,257,663	206,949	
Taxes receivable, net				128,997
Intergovernmental receivables				2,571
Other receivables	1,081,989	1,646		
Accounts receivable from State Treasury				550,000
Collateral for lent securities	3,452,109			
Total assets	44,946,540	2,259,309	206,954	1,555,807
Liabilities:				
Accounts payable and accrued liabilities	1,628,762	382		133,450
Accounts payable to political subdivisions				1,422,357
Collateral obligation for lent securities	3,452,109			
Total liabilities	5,080,871	382		1,555,807
Net assets:				
Held in trust for:				
Pension benefits	37,350,375			
Deferred compensation benefits	2,515,294			
Local Government Investment Pool participants		2,258,927		
Postretirement health benefits			206,954	
Total net assets	$ 39,865,669	$ 2,258,927	$ 206,954	$ -

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Pension and Other Employee Benefits Trust Funds	Investment Trust Fund	Postretirement Health Benefits Trust Fund
Additions:			
Contributions:			
Employers	$ 733,329		$ 385,913
Members	862,160	$ 5,111,069	
Sponsors	895,691		
Total contributions	2,491,180	5,111,069	385,913
Investment earnings:			
Net increase (decrease) in fair value of investments	(1,143,048)		(4,244)
Interest	428,218	3,641	132
Dividends	1,041,358		2,420
Real estate operating net earnings	5,274		
Total investment earnings	331,802	3,641	(1,692)
Less: investment expense	241,489	808	133
Net investment earnings	90,313	2,833	(1,825)
Total additions	2,581,493	5,113,902	384,088
Deductions:			
Benefit payments	2,964,587		385,913
Distributions to participants		2,833	
Redemptions (unit transactions at $1.00 per unit)		5,370,940	
Refunds	33,819		
Administrative expenses	33,333		
Total deductions	3,031,739	5,373,773	385,913
Change in net assets	(450,246)	(259,871)	(1,825)
Net assets - beginning	40,315,915	2,518,798	208,779
Net assets - ending	$ 39,865,669	$ 2,258,927	$ 206,954

The accompanying notes to the financials are an integral part of this financial statement.

STATE OF MARYLAND

COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

Higher Education

Higher education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community College and certain of their foundations. Because the universities and colleges are similar in nature and function, they have been combined and presented as a single component unit. The financial information for certain foundations affiliated with the universities and colleges has not been included in this fund in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39.

Maryland Prepaid College Trust

The Maryland Prepaid College Trust is a program of the College Savings Plans of Maryland and directed by the Board to provide a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education.

Maryland Stadium Authority

The Maryland Stadium Authority was created as a body corporate and politic and as an independent unit of the Executive Department of the State of Maryland. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State.

Non-major Component Units

Other Component Units

Non-major component units are presented individually in the combining section following the footnotes.

STATE OF MARYLAND
Combining Statement of Net Assets
Component Units
June 30, 2012
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Stadium Authority	Other Component Units	Total
Assets:					
Cash	$ 104,716	$ 30,535	$ 565	$ 48,673	$ 184,489
Equity in pooled invested cash	1,721,202	364	5,675	44,399	1,771,640
Investments	5,682	654,291		15,758	675,731
Endowment investments	194,736				194,736
Foundation investments	974,529				974,529
Tuition contracts receivable	59,866	178,289			238,155
Other accounts receivable	360,963	1,605	7,811	14,358	384,737
Due from primary government			3,385		3,385
Inventories	13,857				13,857
Prepaid items	6,171				6,171
Deferred charges	1,712		1,349		3,061
Loans and notes receivable, net	70,090		4,428	1,262	75,780
Investments in direct financing leases			210,666	10	210,676
Other assets	12,414		50	6,636	19,100
Restricted assets:					
Cash	75,674			399	76,073
Investments	26,660		7,403	2,359	36,422
Capital assets (net of accumulated depreciation):					
Land	176,002			8,016	184,018
Structures and improvements	3,875,313		124,950	42,901	4,043,164
Infrastructure	201,620			424	202,044
Equipment	428,460	41	7,299	7,454	443,254
Construction in progress	480,808			859	481,667
Total assets	8,790,475	865,125	373,581	193,508	10,222,689
Liabilities:					
Salaries payable	135,571				135,571
Accounts payable and accrued liabilities	177,765	398	9,955	24,570	212,688
Due to primary government	36,434				36,434
Unearned revenue	209,639	13,706	882	1,573	225,800
Accrued insurance on loan losses				4,076	4,076
Other liabilities	1,454			228	1,682
Bonds and notes payable:					
Due within one year	86,746		24,632	747	112,125
Due in more than one year	1,163,333		229,275	19,721	1,412,329
Other noncurrent liabilities:					
Due within one year	62,032	70,077	88	27,519	159,716
Due in more than one year	196,297	652,706	22,968	19,722	891,693
Total liabilities	2,069,271	736,887	287,800	98,156	3,192,114

	Higher Education	Maryland Prepaid College Trust	Stadium Authority	Other Component Units	Total
Net Assets:					
Invested in capital assets, net of related debt	$ 3,958,176	$ 41	$ 89,656	$ 31,760	$ 4,079,633
Restricted:					
Debt service			3,031		3,031
Capital improvements and deposits		773	4,372	251	5,396
Nonexpendable:					
Scholarships and fellowships	272,442				272,442
Research	8,603				8,603
Other	370,695				370,695
Expendable:					
Debt service	4,661				4,661
Capital projects	15,055				15,055
Loans and notes receivable	74,414				74,414
Scholarships and fellowships	117,906				117,906
Research	98,459				98,459
Other	281,803				281,803
Unrestricted (deficit)	1,518,990	127,424	(11,278)	63,341	1,698,477
Total net assets	$ 6,721,204	$ 128,238	$ 85,781	$ 95,352	$ 7,030,575

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Higher Education	Maryland Prepaid College Trust	Stadium Authority	Other Component Units	Total
Expenses:					
General and administrative		$ 2,226	$ 7,719	$ 17,752	$ 27,697
Operation and maintenance of facilities	$ 356,759		21,024	94,364	472,147
Provision for insurance on loan losses, net				3,406	3,406
Instruction	1,203,495				1,203,495
Research	954,926				954,926
Public service	159,007				159,007
Academic support	408,126				408,126
Student services	211,748				211,748
Institutional support	411,841				411,841
Scholarships and fellowships	106,677				106,677
Tuition benefits		73,489			73,489
Auxiliary	512,069				512,069
Hospitals	155,206				155,206
Interest on long-term debt	48,339		15,261	1,389	64,989
Depreciation and amortization		21	14,912	3,566	18,499
Foundation expenses	75,034				75,034
Other	2,890	6	6,957	16,405	26,258
Total expenses	4,606,117	75,742	65,873	136,882	4,884,614
Program revenues:					
Charges for services:					
Student tuition and fees (net of $272,016 in allowances)	1,236,759				1,236,759
Auxiliary enterprises (net of $35,070 in allowances)	571,722				571,722
Other	334,619	68,370	34,226	116,759	553,974
Total charges for services	2,143,100	68,370	34,226	116,759	2,362,455
Operating grants and contributions	1,431,286		19,347	21,739	1,472,372
Capital grants and contributions	212,671				212,671
Total program revenues	3,787,057	68,370	53,573	138,498	4,047,498
Net program revenue (expense)	(819,060)	(7,372)	(12,300)	1,616	(837,116)
General revenues:					
Grants and contributions not restricted to specific programs	1,192,554				1,192,554
Unrestricted investment earnings	44,244	9,635		788	54,667
Additions to permanent endowments	4,685				4,685
Total general revenues and additions to permanent endowments	1,241,483	9,635		788	1,251,906
Change in net assets	422,423	2,263	(12,300)	2,404	414,790
Net assets - beginning of the year	6,298,781	125,975	98,081	92,948	6,615,785
Net assets - ending of the year	$ 6,721,204	$ 128,238	$ 85,781	$ 95,352	$ 7,030,575

The accompanying notes to the financial statements are an integral part of this financial statement.

STATE OF MARYLAND

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STATE OF MARYLAND
Notes to the Financial Statements
For the Year Ended June 30, 2012

1. Summary of Significant Accounting Policies:

A. Reporting Entity

The accompanying financial statements include the various departments, agencies, and other organizational units governed by the General Assembly and/or Constitutional Officers of the State of Maryland (State).

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the state government (primary government) and its component units (entities for which the State is considered to be financially accountable). The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include the State appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discrete Component Units

The discretely presented component units are those entities which are legally separate from the State, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Component Units column of the government-wide financial statements includes the financial data of the following major component units. Individual statements are presented for each component unit.

Higher Education (Proprietary Fund Type) – Higher Education consists of the University System of Maryland, Morgan State University, St. Mary's College of Maryland and Baltimore City Community college and certain of their foundations. Each entity is governed by its own Board of Regents, or Board of Trustees, whose members are appointed by the Governor. The universities and colleges are similar in nature and function, they have been combined and presented as a single discretely presented component unit. Some of the financial information for foundations affiliated with the universities and colleges has not been included with the financial information of the universities and colleges in accordance with the requirements of GASB Statement No. 14 as amended by GASB Statement No. 39.

The Maryland Prepaid College Trust (Proprietary Fund Type) is a program of the College Savings Plans of Maryland and directed by its Board. The Board consists of five State officials and five members of the public appointed by the Governor. The Maryland Prepaid College Trust provides a means for payment of the cost of tuition and mandatory fees in advance of enrollment at eligible institutions of higher education. If the Trust's contract obligations exceed the market value of Trust assets, State appropriations may be provided.

Maryland Stadium Authority (Proprietary Fund Type) – The Maryland Stadium Authority (Authority) was created as a body corporate and politic and as an independent unit of the Executive Department of the State. The Authority's purpose is to acquire land and to construct, operate and/or manage various capital facilities in the State. The Authority's Board consists of seven members, of which, six are appointed by the Governor, with the advice and consent of the State Senate, and one whom is appointed by the Mayor of Baltimore City, with the advice and consent of the State Senate. The Maryland State Legislature and the Board of Public Works (consisting of the Governor, Comptroller and Treasurer) have approved all of the projects and bond issuances of the Authority.

The non-major component units are comprised of the following proprietary fund type entities.

The Maryland Food Center Authority (Authority) is a body corporate and politic, the governing board of which is composed of twelve members. Four members are State officials, and eight members are appointed by the Governor. The Authority has statewide jurisdiction to promote the State's welfare by undertaking real estate development and management activities that facilitate the wholesale food industry activity in the public interest. It is subject to State regulations and approvals and has received State subsidies.

The Maryland Environmental Service (Service) was created as a body corporate and politic and is governed by a nine-member Board of Directors. The Board of Directors and the officers of the Service are appointed and/or approved by the Governor. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction for the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

The Maryland Industrial Development Financing Authority (MIDFA) was established as a body corporate and politic and a public instrumentality of the State. The Authority consists of nine members, the Secretary of the Department of Business and Economic Development, or his designee, the State Treasurer or the State Comptroller, as designated by the Governor; and seven members appointed by the Secretary of the Department of Business and Economic Development and approved by the Governor. The MIDFA is subject to the authority of the Secretary and subject to State finance regulations. It provides financial assistance to enterprises seeking to locate or expand operations in Maryland.

The Maryland Technology Development Corporation (Corporation) was established as a body corporate and politic and a public instrumentality of the State. The Corporation's Board of Directors consists of 15 individuals, the Secretary of the Department of Business and Economic Development and 14 members appointed by the Governor with the advice and consent of the Senate. Its budget is submitted to and approved by the State, and its major revenue source is State appropriations. The Corporation was created to assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by the colleges and universities and to assist in the commercialization of technology developed in the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

Complete financial statements of the individual component units and the Local Government Investment Pool of the Investment Trust Fund may be requested from the Comptroller of Maryland, LLG Treasury Building, Annapolis, Maryland 21404.

Related Organizations

The Maryland Economic Development Corporation (MEDCO), Injured Worker's Insurance Fund and the Maryland Automobile Insurance Fund are related organizations of the State. The Governor appoints a majority of the Board of Directors, but the State does not have the ability to impose its will on the organizations, and there is no financial benefit/burden relationship. As of June 30, 2012, the Economic Development Loan Programs, major enterprise funds, had transactions with MEDCO that included loans, investments and grants totaling $18,347,000.

B. Government-wide and Fund Financial Statements

The State's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. Interfund activity has been eliminated from these statements except for certain charges for services between activities that would distort the direct costs and program revenues reported for the applicable functions. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Expenses reported for functional activities include allocated indirect expenses. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements as those assets are not available to support government programs. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund (other than the agency funds), financial statements. The agency funds are reported using the accrual basis of accounting, but have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, other post-employment benefits, compensated absences, pollution remediation and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The State reports the following major governmental funds:

General Fund:

Transactions related to resources obtained and used for those services traditionally provided by a state government, which are not accounted for in other governmental funds, are accounted for in the general fund. These services include, among other items, general government, health and mental hygiene, education (other than higher education institutions), human resources, public safety, judicial, labor, licensing and regulation, natural resources and recreation, housing and community development, environment, agriculture, and business and economic development. Resources obtained from Federal grants and used for general fund activities consistent with applicable legal requirements, are recorded in the general fund.

Special Revenue Fund, Maryland Department of Transportation:

Transactions related to resources obtained, the uses of which are committed for specific purposes, are accounted for in the special revenue fund. The Maryland Department of Transportation special revenue fund accounts for resources used for operations (other than debt service and pension activities) of the Maryland Department of Transportation, including construction or improvement of transportation facilities and mass transit operations. Revenue sources dedicated to transportation operations include the excise taxes on motor vehicle fuel and motor vehicle titles, a potion of the State's corporation income tax and the State's sales tax, wharfage and landing fees, fare box revenues, bond proceeds, Federal grants for transportation purposes and other receipts of the Department's agencies.

Enterprise Funds:

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The enterprise funds differ from governmental funds in that the focus is on the flow of economic resources, which, together with the maintenance of equity, is an important financial indicator.

The major enterprise funds are as follows:

1. The Economic Development Loan Programs includes the direct loan programs of the Maryland Departments of Housing and Community Development, Business and Economic Development and Environment.

2. The Unemployment Insurance program reflects the transactions, assets, liabilities and net assets of the Unemployment Insurance Program and is used to account for the unemployment taxes collected from employers, Federal revenue received and remittance of benefits to the unemployed.

3. The Maryland State Lottery Agency operates the State Lottery and regulates the operation of video lottery terminal (VLT) casinos.

4. The Maryland Transportation Authority is responsible for the operation and maintenance of toll roads, bridges and tunnels in the State.

Fiduciary Funds:

1. The Pension and Other Employee Benefits Trust Fund (Pension Trust Fund) includes the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Pension Trust Fund reflects the transactions, assets, liabilities and net assets of the plans administered by the State and is accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is reported as of

and for its period ended December 31, accounts for participant earnings deferred in accordance with Internal Revenue Code Sections 457, 403(b), 401(a), and 401(k). Amounts deferred are invested and are not subject to Federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.

2. The Investment Trust Fund reflects the transactions, assets, liabilities and net assets of the Maryland Local Government Investment Pool and is accounted for using the flow of economic resources measurement focus.

3. The Postretirement Health Benefits Trust Fund (OPEB Trust) accumulates funds to assist the State's Employee and Retiree and Health and Welfare Benefits Program finance the State' s postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the Maryland State Retirement and Pension System, and its transactions, assets, liabilities and net assets are accounted for using the flow of economic resources measurement focus. The assets of the Pension and OPEB Trust are not pooled for investment purposes, and each trust's assets may be used only for the payment of benefits to the trust's members in accordance with the terms of the trust.

4. The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of litigants, patient and prisoner accounts, various taxes collected by the State for distribution to political subdivisions and amounts withheld from employee's payroll.

D. *Change in Accounting Principles and Restatement of Beginning Balances*

As of June 30, 2011, the State determined that the amount reported as "equity in pooled invested cash" is a cash management pool with characteristics similar to a demand deposit rather than investments, and the amount should be included in beginning and ending cash and cash equivalents reported on the statement of cash flows. Accordingly, beginning cash and cash equivalents on the Enterprise Funds' Statement of Cash Flows are restated as follows (amounts expressed in thousands).

	Beginning Cash and Cash Equivalents, as Previously Reported	Equity in Pooled Invested Cash	Beginning Cash and Cash Equivalents, as Restated
Economic Development Loan Programs	$612,828	$466,736	$1,079,564
Maryland State Lottery Agency	5,296	115,448	120,744
Non-major Enterprise Funds	-	117,115	117,115

E. *New Pronouncements*

The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, in December 2010, effective for financial statement periods beginning after December 15, 2011. The State has early implemented this statement. In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, and Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for periods beginning after December 15, 2011 and June 15, 2012, respectively. In addition, in June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources*, *Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, effective for periods beginning after December 15, 2012. In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2013, and 2014, respectively. The State will implement these statements as of their effective dates. While the State is still in the process of determining the effect of implementing these GASB statements, Statement No. 68 is expected to have a material effect on the financial position of the State.

2. Summary of Significant Accounting Policies: Assets, Liabilities and Net Assets or Equity

A. *All Funds:*

Deposits with Financial Institutions and Investments:

The State Treasurer's Office operates a centralized cash receipt, investment and disbursement function for the majority of the State's funds as required by statute. Certain enterprise activities, pension funds, agency funds and component units are specifically exempted from this function in the law. Individual fund equity in pooled invested cash is reported as an asset on the balance sheets of those funds participating in the centralized cash receipt and disbursement function. Investment earnings accrue to those funds reporting equity in pooled invested cash only if the law specifically provides for the fund's accrual of interest earnings.

The State Treasurer's Office invests short-term cash balances on a daily basis primarily in U.S. Government obligations and money market mutual funds. Under the State Finance and Procurement Article of the Annotated Code of Maryland, Title 6, Subtitle 2, the State Treasurer may only invest in the following:

- Any obligation for which the United States Government has pledged it faith and credit for the payment of principal and interest.
- Any obligation that a United States agency issues in accordance with an act of Congress.
- Repurchase agreements that any of the above obligations secure.
- Certificates of deposits of Maryland financial institutions.
- Banker's acceptances.
- Money market mutual funds.
- Commercial paper.
- Maryland Local Government Investment Pool.
- Securities Lending Collateral.

In addition, bond sale proceeds may be invested in Municipal securities. Collateral must be at least 102% of the book value of the repurchase agreements and must be delivered to the State Treasurer's custodian for safekeeping. Investments are recorded at fair value and changes in fair value are recognized as revenue. Fair values are based on quotations from national security exchanges and security pricing services, or by the respective fund managers for securities which are not actively traded. Money market mutual funds and the Maryland Local Government Investment Pool are operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended. Their fair values are based on a share price of $1.00 per share. Investments maturing within 90 days of purchase are reported in the financial statements as cash and cash equivalents.

The Maryland State Retirement and Pension System (System), in accordance with State Personnel and Pension Article Section 21-123 of the Annotated Code of Maryland, is permitted to make investments subject to the terms, conditions, limitations and restrictions imposed by the Board of Trustees of the System. The law further provides that no more than 25% of the assets that are invested in common stocks may be invested in nondividend paying common stocks. In addition, no investment in any one organization may constitute more than 5% of the total assets of the System. The System is authorized by Section 21-116 of the State Personnel and Pensions Article to establish and maintain the investment policy manual, which authorizes investing in all major sectors of the capital market in order to diversify and minimize total investment program risk. Such sectors would include, but are not limited to, common stock, preferred stock, convertible securities, warrants and similar rights of U.S. and non-U.S. companies; private equity – direct/partnership/funds; real estate investment trusts; commingled real estate funds; directly owned real estate; fixed income obligations of the U.S. government and its states and local subdivisions, non-U.S. governments and their states and local subdivisions, U.S. and non-U.S. companies, and supra-national organizations; futures and options; foreign exchange forward and future contracts and options; equity index futures; and equity options.

Investments of the System, the Postretirement Health Benefits Trust Fund (OPEB Trust) and the Maryland Transit Administration (MTA) Pension Plan are stated at fair value. The investments of the OPEB Trust and the MTA Pension Plan are held and invested on their behalf by the System and are limited to those allowed for the System. For fixed income securities, fair value is based on quoted market prices provided by independent pricing services. Securities traded on a national or international exchanged are valued at the last reported sales price at current exchange rates. Mortgages and mortgage related securities are valued on a basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

Fair value for real estate investments is based on estimated current values and independent appraisals. Fair value for private equity investments and mutual funds (other than those funds traded on a national or international exchange) is based on information provided by the applicable fund managers.

State employees are offered participation in deferred compensation plans created in accordance with the Internal Revenue Code, Sections 401(a), 401(k), 403(b) and 457. The Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans is responsible for the implementation, maintenance and administration of the Plans. The Board has appointed a private company as the Plans' administrator. Assets of the Plans are valued at cost plus interest credited which approximates fair market value for fixed earnings investment contract pools and at fair value based on published quotations at each December 31, or net asset value as provided by the investment custodian, for variable earnings investments.

Retirement Costs:

Substantially all State employees participate in one of several State retirement systems. (See footnote 15.) The State also provides retirement benefits to teachers and certain other employees of its political subdivisions. Retirement costs have been provided on the accrual basis, based upon actuarial valuations, except that retirement expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Other Post-Employment Benefit Costs:

Substantially all State retirees may participate in the various health care plans offered by the State. (See footnote 16.) Post-employment health care costs have been provided on the accrual basis, based upon actuarial valuations, except that other post-employment expenditures for governmental funds represent amounts contributed by the State for the fiscal year.

Accrued Self-Insurance Costs:

The accrued self-insurance costs represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities and certain employee health benefits. The State records self-insurance expenses in the proprietary funds and discretely presented component units on an accrual basis and the modified accrual basis for the governmental funds. The long-term accrued self-insurance costs of the governmental funds, which are not expected to be funded with current resources, are reported in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

Annual Leave Costs:

Principally all full-time employees accrue annual leave based on the number of years employed up to a maximum of 25 days per calendar year. Earned annual leave may be accumulated up to a maximum of 75 days as of the end of each calendar year. Accumulated earned but unused annual leave for general government employees is accounted for in the government-wide financial statements. Liabilities for accumulated earned but unused annual leave applicable to proprietary funds and component units are reported in the respective funds.

Capital Assets:

Capital assets, which include property, plant, art and historical treasures, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure acquired prior to June 30, 1980, is not reported. Capital assets are defined by the government as assets with an initial, individual cost of more than $50,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	5-50
Building Improvements	5-50
Vehicles	3-25
Office equipment	3-10
Computer equipment	3-10
Computer software	5-10
Infrastructure	10-50

Long-term Obligations:

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, and then unrestricted resources as they are needed.

Debt Refinancing:

The gain or loss associated with debt refinanced is deferred and amortized to interest expense over the remaining life of the old debt or the life of the new debt whichever is shorter.

Net Assets:

Net assets are divided into three categories. Net assets invested in capital assets net of related debt is the capital assets less accumulated depreciation and outstanding principal of the related debt. Restricted net assets reflect restrictions on assets imposed by parties outside the State or imposed by the State by constitutional provisions or enabling legislation. Unrestricted net assets are total net assets of the State less net assets invested in capital assets net of related debt and restricted net assets. Unrestricted net assets are comprised mainly of cash, investments, loans and receivables.

B. Government Funds:

Inventories and Prepaid Items:

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements under the consumption method.

Grants:

Revenues from Federal reimbursement type grants are recognized when the related expenditures are incurred and the revenues are both measurable and available. The government considers all grant revenues to be available if they are collected within 60 days of the current fiscal period. Distributions of food stamp benefits are recognized as revenues and expenditures when the benefits are distributed to individual recipients.

Income Taxes:

The State accrues the net income tax receivable or records a deferred revenue based on estimated income tax revenues and refunds due relating to the fiscal year, that will not be collected or paid until after the fiscal year end. This accrual is computed based on projected calendar year net tax collections, tax laws in effect, future projections and historical experience.

Sales and Use Taxes:

The State accrues June sales taxes that are not remitted at year end as a receivable. These taxes are considered measurable and available since they represent June collections that are remitted to the State in July by merchants who collect the related sales tax.

Property Taxes:

The State levies an annual tax for the fiscal year beginning July 1 and ending June 30 on all real property subject to taxation, due and payable each July 1 and December 1 (lien dates), based on assessed values as of the previous January 1, established by the State Department of Assessments and Taxation at 100% of estimated market value. Each of the counties, Baltimore City and incorporated municipalities establish rates and levy their own tax on such assessed values. The State tax rate in fiscal year 2012 was 11.2¢ per $100 of assessed value. Unpaid property taxes are considered in arrears on October 1 and January 1, respectively, and penalty and interest of 1% is assessed for each month or fraction of a month that the taxes remain unpaid. Property taxes are accrued to the extent they are collected within 60 days of year end.

Escheat Property:

Escheat property is property that reverts to the State's general fund in the absence of legal claimants or heirs. The escheat activity is reported in the general fund. An asset is recognized in the period when the legal claim to the assets arises or when the resources are received, whichever occurs first, and a liability is recognized for the estimated amount that ultimately will be reclaimed and paid.

Intergovernmental Expenditures:

General, special revenue and capital projects fund revenues paid to political subdivisions, and bond proceeds granted to political subdivisions, are recorded as intergovernmental expenditures if such payments do not require mandatory use for specific functions. Direct grants and other payments to, or on behalf of, political subdivisions are recorded as current expenditures.

Capital Assets:

Expenditures for capital assets are reported as capital outlays in the governmental funds.

Compensated Absences:

It is the State's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the State does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation pay amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Fund Equity:

Fund balance for governmental funds is reported in categories and classifications that are presented in order of constraints on the specific purposes for which amounts in that fund can be spent. Nonspendable fund balance represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Otherwise, fund balance is classified as restricted, committed, assigned, or unassigned. Amounts are reported as restricted when spending constraints are (a) externally imposed or (b) imposed by the government by constitutional provisions or enabling legislation. Committed fund balance includes amounts committed for specific purposes by formal action of the government's highest level of decision-making authority. In Maryland, the uses of these funds are established in statute after appropriate action by the General Assembly and the Governor. Assigned fund balance is intended spending expressed by (a) the governing body or (b) a body or official to which the governing body has delegated the

authority to assign amounts. The Governor is authorized to assign current year funds for appropriation in the subsequent year's budget pursuant to budgetary policies adopted by the General Assembly. Unassigned fund balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are available, the State considers restricted resources to have been spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the State considers committed, assigned, and unassigned amounts to have been spent in that order.

C. *Enterprise Funds, Fiduciary Funds and Component Units:*

Basis of Accounting

The accounts of the enterprise funds, fiduciary funds and component units are maintained and reported using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds and component units distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents:

The enterprise funds consider all highly liquid investments that mature within 90 days of purchase to be cash and cash equivalents for reporting on the statement of cash flows.

Grants:

Revenues from Federal reimbursement type grants are recorded when the related expenses are incurred.

Capital Assets:

Capital assets are stated at cost. Depreciation of the cost of capital assets is provided on the straight-line basis over estimated useful lives of 5 to 50 years for depreciable real property and building improvements, and 3 to 10 years for equipment. Construction period interest is capitalized. Repairs and maintenance are charged to operations in the period incurred. Replacements, additions and betterments are capitalized.

Lottery Revenues, Prizes and Related Transfers:

Revenues and prizes of the Maryland State Lottery Agency (Lottery) are primarily recognized when drawings are held. Certain prizes are payable in deferred installments. Such liabilities are recorded at the present value of amounts payable in the future. State law requires the Lottery to transfer to the State revenues in excess of amounts allocated to prize awards, operating expenses and capital expenditures. The excess revenues from certain select games are transferred to the State's general fund, which then transfers the amounts to the Maryland Stadium Authority for operations and to cover the State's capital lease payments to the Maryland Stadium Authority.

Video lottery terminals (VLTs) are a self-activated video version of lottery games. The Lottery recognizes VLT revenue as gross terminal revenue equivalent to all wagers, net of related prizes. Licensed casino operators receive 33% of the gross terminal revenue to operate their casino's, which is recorded as an operating expense by the Lottery. After deducting operating costs, State law requires the Lottery to disburse the remainder of the gross terminal revenue to various general fund agencies, which are responsible for making further distributions. These distributions are recorded as non-operating expenses by the Lottery.

Provisions for Insurance and Loan Losses:

Current provisions are made for estimated losses resulting from insuring loans and uncollectible loans. Loss provisions are based on the current status of insured and direct loans, including delinquencies, economic conditions, loss experience, estimated value of collateral and other factors which may affect their realization.

Inventories:

Inventories are stated at the lower of cost or market, using the first-in, first-out method.

3. Deposits with Financial Institutions and the U.S. Treasury, Equity in Pooled Invested Cash and Investments:

Cash and cash equivalents, equity in pooled invested cash and investments as shown on the 36 as of June 30, 2012, reconcile to cash deposit and investment disclosures as follows (amounts expressed in thousands).

Government-wide statement of net assets:		
Cash	$	440,002
Equity in pooled invested cash		3,258,475
Investments		2,604,448
Collateral for lent securities		327,765
Restricted cash		1,693,975
Restricted equity in pooled invested cash		280,230
Restricted investments		1,196,728
Statement of fiduciary net assets:		
Cash		2,243,495
Equity in pooled invested cash		819,273
Investments		40,688,530
Collateral for lent securities		3,452,109
Total cash and investments per basic financial statements		57,005,030
Less: Cash and investments of higher education foundations not subject to disclosure		1,032,522
Total cash and investments per Note 3	$	55,972,508

Cash Deposits:		
Governmental funds	$	216,202
Enterprise funds		869,482
Fiduciary funds		253,285
Component units		126,467
Investments:		
Governmental funds		4,971,694
Enterprise funds		2,421,537
Fiduciary funds		46,130,849
Component units		982,992
Total cash deposits and investments	$	55,972,508

Cash and cash equivalents for financial statement presentation include short-term investments maturing within 90 days of purchase. Investments for financial statement presentation include certificates of deposit maturing 90 days or more from date of purchase.

A. *Cash Deposits:*

As of June 30**,** 2012, the carrying value for the bank deposits of the governmental funds, enterprise funds, fiduciary funds and component units were $216,202,000, $869,482,000, $253,285,000 and $126,467,000, respectively. The bank balances were $216,202,000, $867,230,000, $253,285,000, and $133,642,000, respectively.

Custodial Risk. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name. State law permits the Treasurer to deposit in a financial institution in the State, unexpended or surplus money in which the Treasurer has custody if (a) the deposit is interest bearing; (b) the financial institution provides collateral that has a market value that exceeds the amount by which a deposit exceeds the deposit insurance; and (c) a custodian holds the collateral.

The Economic Development Loan Programs and higher education component unit do not have a deposit policy for

custodial credit risk. As of June 30, 2012, $39,000 and $5,900,000, respectively, of their bank balances were exposed to custodial credit risk as uninsured and uncollateralized. The Maryland Prepaid College Trust does not have a policy for custodial credit risk. As of June 30, 2012, $29,197,000, of its bank balances were exposed to custodial credit risk as uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the Trust's name.

B. Investments:

The State discloses investment risks as follows:

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

1. Investments-Governmental Funds:

The State Treasurer's Office is authorized to make investments as stated in footnote 2.A.

Investments are stated at fair value that is based on quoted market prices. The investments and maturities as of June 30, 2012, for the governmental funds of the primary government are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-3	More Than 3	
U.S. Agencies (a).....	$ 2,363,786	$ 25,299	$ 131,967	$ 2,206,520	(b)
Repurchase Agreements	2,058,695	2,034,694		24,001	
Local Government Investment Pool	221,448	221,448			
Total Investments.....	4,643,929	2,281,441	131,967	2,230,521	
Collateral for lent securities.....	327,765	327,765			
Total Investments and collateral for lent securities.....	$ 4,971,694	$ 2,609,206	$ 131,967	$ 2,230,521	

(a) Investments held by broker dealers under securities lending program are $ 261,534,000.

(b) Bonds in the amount of $2,036,424,000, mature September 2015 to June 2017, but are callable July 2012 to February 2015.

Interest Rate Risk. The State Treasurer's Office's investment policy states that to the extent possible, it will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Treasurer's Office will not directly invest in securities maturing more than five years from the date of purchase. Sinking fund investments with guaranteed earnings to redeem term bonds beginning in fiscal year 2016 were $24,001,000.

Credit Risk. State law requires that the governmental funds' repurchase agreements be collateralized by U.S. Treasury and agency obligations. In addition, investments are made directly in U.S. agency obligations. Obligations of the Federal National Mortgage Association, Federal Farm Credit Bank, and Federal Home Loan Mortgage Corporation are rated Aaa by Moody's and AAA by Standard & Poor's and Fitch. Obligations of the Federal Home Loan Bank are rated Aaa by Moody's and AA by Standard & Poor's. Obligations of the Federal Agricultural Mortgage Corporation are not rated. The Local Government Investment Pool is rated AAAm by Standard & Poor's.

Concentration of Credit Risk. The State Treasurer's Office's investment policy limits the amount of repurchase agreements to be invested with a particular institution to 30% of the portfolio. There is no other limit on the amount that may be invested in any one issuer. More than 5 percent of the governmental funds' investments are in the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. These investments are 46.4% and 40.5% of the governmental funds' total investments, respectively.

2. *Investments – Enterprise Funds:*

The enterprise funds' bond indentures and investment policies, with the exception of the Economic Development Loan Programs, authorize the investment of assets related to the indentures and other funds in obligations in which the State Treasurer may invest. The Economic Development Loan Programs are authorized to invest in obligations of the U.S. Treasury, U.S. government agencies, obligations of U.S. political subdivisions, bankers' acceptances, commercial paper, repurchase agreements, guaranteed investment contracts, corporate debt securities and mutual funds in accordance with bond indentures and in direct equity investments in accordance with the stature establishing the program.

Investments of the enterprise funds are stated at fair value, which is based on quoted market prices.

The investment and maturities as of June 30, 2012, for the enterprise funds of the primary government are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	11-15	More Than 15
U.S. Treasury obligations	$ 641,829	$ 13,565	$ 3,520	$ 4,266	$ 11,898	$ 608,580
U.S Government agency obligations	740,039	198,619	531,459	2,671		7,290
Repurchase Agreements	19,632					19,632
Commercial Paper	89,879	89,879				
Guaranteed Investment Contracts	20,286		16,317	3,969		
Money market mutual funds	757,576	757,576				
Municipal Bonds	31,104		14,408	13,279	3,417	
Total	$ 2,300,345	$ 1,059,639	$ 565,704	$ 24,185	$ 15,315	$ 635,502

In addition to the investments scheduled above, as of June 30, 2012, the enterprise funds' investments also include the fair value of direct equity investments, $44,950,000.

The State Lottery Agency, a major enterprise fund, invests in U.S. Treasury obligations and annuity contracts that provide for guaranteed payouts to jackpot prize winners and, therefore, have no interest rate risk to the Lottery. As of June 30, 2012, the fair value of these investments was $75,973,000, and $269,000, respectively. Of these investments, U.S. Treasury obligations held by broker dealers under the securities lending program were $59,689,000.

Interest Rate Risk. The enterprise funds' policy for managing their exposure to fair value loss arising from increasing interest rates is to manage investment maturities so that they precede or coincide with the expected need for funds.

Credit Risk. The investment policies of the enterprise funds require that repurchase agreements are collateralized by U.S. Treasury and agency obligations. The policies also require that money market mutual funds contain only U.S. Treasuries or agencies or repurchase agreements secured by these or that they receive the highest possible rating from at least one nationally recognized securities rating organization and that commercial paper be rated A-1, P-1. According to the indenture and investment policy of the Economic Development Loan Programs, investments must be rated no lower than the rating on

the Loan Programs' bonds or F1/P1 for the issuer's short-term accounts or securities. The rating on the Loan Programs' bonds as of June 30, 2012, was Aa by Moody's and AA by Fitch.

As of June 30, 2012, the enterprise funds had the following investments and quality ratings (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. Government agency obligations	$ 740,039	AAA/Aaa	S&P/Moody's	30.56%
Money Market Mutual Funds	757,576	AAAm/Aaa	S&P/Moody's	31.28%
Repurchase agreements - underlying securities	19,632	AAA/Aaa	S&P/Moody's	0.81%
Commercial paper	89,879	A1/P1	S&P/Moody's	3.71%
Guaranteed investment contracts	11,192	Aaa	Moody's	0.46%
Guaranteed investment contracts	9,094	Aa	Moody's	0.38%
Municipal Bonds	31,104	AAA/Aaa	S&P/Moody's	1.28%
Total	$ 1,658,516			68.49%

Concentration of Credit Risk. The enterprise funds place no limit on the amount they may invest in any one issuer of U.S. Government agency obligations. More than 5% of the enterprise funds' investments are in obligations of the Federal Home Loan Bank, Federal Home Loan Mortgage Association and Federal National Mortgage Association. These investments are 12.0%, 10.3% and 6.1% of the enterprise funds' total investments, respectively.

3. *Investments – Fiduciary Funds:*

The Pension Trust Funds and Postretirement Health Benefits Trust Fund are authorized to make investments as stated in Note 2.A.

The Maryland Local Government Investment Pool is authorized by Article 95, Section 22G, of the Annotated Code of Maryland to invest in any instrument in which the State Treasurer may invest. Investments of the Pool are stated at fair value. Securities are valued daily on an amortized cost basis which approximates market value. Money market funds are valued at the closing net asset value per share on the day of valuation.

The investments and maturities as of June 30, 2012, for the fiduciary funds of the primary government are as follows (amounts expressed in thousands).

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More than 10
U.S. Treasury notes and bonds	$ 3,240,168	$ 299,950	$ 1,167,653	$ 854,091	$ 918,474
U.S. Treasury strips	27,322				27,322
U.S. Government agency obligations	1,465,193	1,253,498	132,317	66,037	13,341
Repurchase agreements	295,969	295,969			
Commercial paper	219,545	219,545			
Guaranteed investment contracts (a)	784,208		784,208		
Corporate bonds	2,020,022	78,197	673,223	918,248	350,354
International bonds	1,292,438	33,582	260,925	526,203	471,728
Other government bonds	549,043	38,702	194,150	152,029	164,162

Mortgage-backed securities	2,538,214	2,291	12,686	90,115	2,433,122
Asset-backed securities	264,011	389	98,428	39,682	125,512
Bond mutual funds	133,303	5,813		127,490	
Swaps	(591)	(578)	1,589	(1,948)	346
Alternative investments	42,395	249	31,045	11,101	
Money market mutual funds	2,280,149	2,280,149			
Total investments	15,151,389	4,507,756	3,356,224	2,783,048	4,504,361
Collateral for lent securities	3,452,109	3,452,109			
Total investments and collateral for lent securities	$ 18,603,498	$ 7,959,865	$ 3,356,224	$ 2,783,048	$ 4,504,361

(a) These investments are stated at contract value as of December 31, 2011. The fair value as of December 31, 2011, was $810,264,000, and the wrapper value was $728,000.

In addition to the investments scheduled above, as of June 30, 2012, the fiduciary funds' investments also include the fair value of stock mutual funds, $8,850,973,000, corporate equity securities, $13,262,203,000, private equity, $2,107,611,000, real estate, $1,539,127,000, annuity contracts, $99,964,000, insurance contracts, $3,903,000, and other investments, $42,395,000.

Interest Rate Risk. As of June 30, 2012, the System had $2 billion invested in mortgage pass-through securities. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

The Deferred Compensation Plans (Plans) invest in annuity contracts and insurance contracts that provide for guaranteed payouts to participants and, therefore, have no interest rate risk to the Plans. As of June 30, 2012, the fair value of these investments was $99,964,000, and $3,903,000, respectively.

The State Treasurer's Office manages the Local Government Investment Pool. The State Treasurer's investment policies state that no direct investment by the Pool may have a maturity date of more than 13 months after its acquisition.

Credit Risk. The investment policy of the System regarding credit risk is determined by each investment manager's mandate. The Local Government Investment Pool may invest in banker's acceptances and commercial paper rated only Tier 1 by at least one nationally recognized securities rating organization. As of June 30, 2012, the fiduciary funds' investments were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale (amounts expressed in thousands).

Investment Type	Fair Value	Quality Rating	Percentage of Total Investments
U.S. Government agency obligations	$ 22,215	AAA	0.0%
U.S. Government agency obligations	1,387,860	AA	3.2%
U.S. Government agency obligations	31,813	A	0.0%
U.S. Government agency obligations	756	BAA	0.0%
U.S. Government agency obligations	2,095	BBB	0.0%
U.S. Government agency obligations	20,453	Unrated	0.0%
Repurchase agreements - underlying securities	295,969	AAA	0.6%
Money market mutual funds	290,014	AAA	0.6%
Money market mutual funds	1,990,135	A	4.6%
Commercial paper	219,545	AAA	0.5%
Guaranteed investment contracts	779,947	AA	1.8%
Guaranteed investment contracts	4,261	Unrated	0.0%

Corporate bonds	29,750	AAA	0.0%
Corporate bonds	101,257	AA	0.2%
Corporate bonds	429,484	A	1.0%
Corporate bonds	247,492	BAA	0.5%
Corporate bonds	2,317	BA	0.0%
Corporate bonds	646,380	BBB	1.5%
Corporate bonds	133,425	BB	0.3%
Corporate bonds	170,230	B	0.4%
Corporate bonds	17,367	CAA	0.0%
Corporate bonds	50,854	CCC	0.1%
Corporate bonds	3,837	CC	0.0%
Corporate bonds	187,629	Unrated	0.4%
International bonds	833,697	AAA	1.9%
International bonds	159,171	AA	0.3%
International bonds	145,883	A	0.3%
International bonds	51,836	BAA	0.1%
International bonds	178	BA	0.0%
International bonds	53,957	BBB	0.1%
International bonds	5,665	BB	0.0%
International bonds	6,271	B	0.0%
International bonds	2,755	CAA	0.0%
International bonds	470	CCC	0.0%
International bonds	32,555	Unrated	0.0%
Other government bonds	58,977	AAA	0.1%
Other government bonds	100,094	AA	0.2%
Other government bonds	210,792	A	0.4%
Other government bonds	22,493	BAA	0.0%
Other government bonds	935	BA	0.0%
Other government bonds	115,629	BBB	0.2%
Other government bonds	24,540	BB	0.0%
Other government bonds	6,209	B	0.0%
Other government bonds	8	CAA	0.0%
Other government bonds	136	CA	0.0%
Other government bonds	147	CCC	0.0%
Other government bonds	38	C	0.0%
Other government bonds	9,045	Unrated	0.0%
Mortgage-backed securities	104,677	AAA	0.2%
Mortgage-backed securities	1,971,995	AA	4.6%
Mortgage-backed securities	73,659	A	0.1%
Mortgage-backed securities	10,098	BAA	0.0%
Mortgage-backed securities	6,353	BA	0.0%
Mortgage-backed securities	24,290	BBB	0.0%

Mortgage-backed securities	7,320	BB	0.0%
Mortgage-backed securities	13,386	B	0.0%
Mortgage-backed securities	11,300	CAA	0.0%
Mortgage-backed securities	435	CA	0.0%
Mortgage-backed securities	25,541	CCC	0.0%
Mortgage-backed securities	9,205	CC	0.0%
Mortgage-backed securities	11,164	D	0.0%
Mortgage-backed securities	268,792	Not rated	0.6%
Asset-backed securities-Other	126,994	AAA	0.3%
Asset-backed securities-Other	32,270	AA	0.0%
Asset-backed securities-Other	18,101	A	0.0%
Asset-backed securities-Other	1,820	BAA	0.0%
Asset-backed securities-Other	12,456	BBB	0.0%
Asset-backed securities-Other	1,165	BB	0.0%
Asset-backed securities-Other	15,005	B	0.0%
Asset-backed securities-Other	11,127	CAA	0.0%
Asset-backed securities-Other	20,236	CCC	0.0%
Asset-backed securities-Other	7,892	CC	0.0%
Asset-backed securities-Other	542	C	0.0%
Asset-backed securities-Other	6,511	D	0.0%
Asset-backed securities-Other	9,892	Not rated	0.0%
Bond mutual funds	133,303	Not rated	0.3%
Swaps	(591)	Not rated	0.0%
Alternative investments	42,395	Not rated	0.1%
Total	$ 11,883,899		27.8%

Foreign Currency Risk. The majority of the System's foreign currency-denominated investments are in equities. The System has an overlay program to minimize its currency risk.

The System's exposure to foreign currency risk as of June 30, 2012, is a follows (amounts expressed in thousands).

Currency	Equity	Fixed Income	Cash	Alternative Investments	Mutual Funds	Total
Argentine Peso		$ 215				$ 215
Australian Dollar	$ 289,002	54,159	$ 5,166	$ 32,956		381,283
Brazilian Real	72,053	201	1,051			73,305
Canadian Dollar	369,539	23,927	8,643	57,787		459,896
Czech koruna	5,910		1			5,911
Danish krone	55,929		1,629	3,170		60,728
Egyptian pound	1,279					1,279
Euro Currency	1,474,846	506,084	36,616	516,649$	83,186	2,617,381
Hong Kong Dollar	458,230	1,030	8,349			467,609
Hungarian forint	1,154		63			1,217
India Rupee			(534)			(534)
Indonesian rupiah	11,110		324			11,434
Israeli shekel	12,462		543			13,005
Japanese Yen	972,678	66,632	18,463	10,885		1,068,658
Malaysian Ringgit	8,806	321	286			9,413
Mexican Peso	16,336	40,913	1,176	335		58,762
Moroccan Dirham	188					188
New Russian Ruble	1,301	334	14			1,649
New Taiwan Dollar	24,941					24,941
New Turkish Lira			37			37
New Zealand dollar	2,831	21,487	241			24,559
Nigerian Naira	995		12			1,007
Norwigian Krone	69,314	1,123	51			70,488
Pakistan Rupee	1,336		1,184			2,520
Philippine peso	4,372		54			4,426
Polish zloty	10,977	9,623	430			21,030
Pound Sterling	1,061,688	127,457	17,439	332,435$	19,139	1,558,158
Singapore Dollar	107,309	408	2,518			110,235
South African Rand	29,854	8,815	631	189		39,489
South Korean Won	101,456					101,456
Sir Lanka Rupee				503		503
Swedish Krona	145,486	1,690	5,336	23,622		176,134
Swiss Franc	400,815		11,235			412,050
Thailand Baht	20,041		369			20,410
Turkish lira	18,774		110			18,884
Yuan renminbi			(2)			(2)
Mutiple				395,652$	1,823,766	2,219,418
Total	$ 5,751,012	$ 864,419	$ 121,435	$ 1,374,183	$ 1,926,091	$ 10,037,142

Derivatives:

Each System investment manager's guidelines determine the extent to which derivatives are permissible. Futures and other derivatives are permitted to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities. Unleveraged derivatives are permitted for the purpose of hedging investment risk, to replicate an investment that would otherwise be made directly in the cash market or to modify asset exposure in tactical portfolio shifts. Use of derivatives is not permitted to materially alter the characteristics, including the investment risk, of each manager's account. The investment managers are to have in place, and use, procedures that subject derivative based strategies to rigorous scenario and volatility analysis. Futures and short option positions must be hedged with cash, cash equivalents or current portfolio security holdings.

A list of derivatives aggregated by investment type is as follows (amounts expressed in thousands).

	Changes in Fair Value		Fair Value as of June 30, 2012		
	Classification	Amount	Classification	Amount	Notional*
Commodity futures long	Investment revenue	$ (35,760)	Futures		$ 92,357
Commodity futures short	Investment revenue	5,003	Futures		
Credit default swaps bought	Investment revenue	690	Swaps	$ 1,980	67,279
Credit default swaps written	Investment revenue	(1,919)	Swaps	1,839	195.486
Currency swaps	Investment revenue	(565)	Swaps	(1,078)	32,283
Fixed income futures long	Investment revenue	65,604	Futures		720,372
Fixed income futures short	Investment revenue	(73,896)	Futures		(702,993)
Fixed income options bought	Investment revenue	(97)	Options	1,074	38,045
Fixed income options written	Investment revenue	3,190	Options	(4,341)	(443,645)
Foreign currency options bought	Investment revenue	(80)	Options		
Foreign currency options written	Investment revenue	527	Options	(30)	(9,320)
Futures options bought	Investment revenue	(7,679)	Options	628	7,037
Futures options written	Investment revenue	17,008	Options	(649)	2,312
FX forwards	Investment revenue	131,013	Long Term Instruments	35,674	
Index futures long	Investment revenue	(10,423)	Futures		1,575
Index futures short	Investment revenue		Futures		
Index options bought	Investment revenue	11	Options		
Index options written	Investment revenue	126	Options		
Pay fixed interest rate swaps	Investment revenue	(14,581)	Swaps	2,462	211,763
Receive fixed interest rate swaps	Investment revenue	5,377	Swaps	2,808	113,034
Rights	Investment revenue	795	Common stock	186	1,377
Total return swaps bond	Investment revenue	(1,255)	Swaps		
Warrants	Investment revenue	(1,527)	Common stock	6,217	660
Grand Totals		$ 81,562		$ 46,770	

*Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions

Credit Risk. The System is exposed to credit risk on derivative instruments that are in asset positions. To minimize its exposure to losses related to credit risk, the investment managers use counterparty collateral in their non-exchange-traded derivative instruments. Netting arrangements are also used when entering into more than one derivative instrument transaction with a counterparty. At the present time the System does not have a formal policy relating to counterparty collateral or netting arrangements.

The aggregate fair value of derivative instruments in asset positions as of June 30, 2012, was $404,793,000. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform. The maximum loss would, however, be reduced by the counterparty collateral and the liabilities included in netting arrangements with counterparties.

The following tables list the fair value of credit exposure per ratings of Standard & Poor's (S&P), Moody's and Fitch for the counterparties (amounts expressed in thousands).

Fair Value	S&P Rating	Fair Value	Moody's Rating	Fair Value	Fitch Rating
$230,538	AA	$ 61,029	Aaa	$280,426	AA
174,255	A	133,895	Aa	124,367	A
		203,655	A		
		6,214	Baa		
$404,793		$404,793		$404,793	

Risk concentrations are presented in the table below.

Counterparty Name	Percentage Of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
UBS AG London	22%	A	A	Aa
Barclays Bank PLC Wholesale	17	AA	AA	Aa
Royal Bank of Scotland PLC	13	A	AA	Aa
HSBC Bank PLC	12	AA	AA	Aa
JP Morgan Chase Bank	10	AA	AA	Aa
Westpac Banking Corporation	8	AA	AA	Aa
Toronto Dominion Bank	7	AA	AA	Aaa
BNP Paribas SA	4	AA	AA	Aa
Royal Bank of Canada (UK)	3	AA	AA	Aa
Societe Generale	2	A	A	Aa
Deutsche Bank AG London	1	A	AA	Aa

4. *Investments – Component Units:*

Investment accounts established by higher education institutions relate principally to endowments and trust accounts required by debt instruments and are invested in accordance with the investment policies adopted by the Board of Trustees. In general, endowment resources can be invested in debt and equity securities, and trust accounts can be invested only in debt securities. These investments include U.S. Treasury and agency obligations, corporate debt and equity securities, asset-backed securities and mutual funds that invest in government securities. The investments of the higher education foundations are not included in the GASB Statement No. 40 disclosures below because the foundations are not required to and do not follow statements of GASB.

One of the institutions, the University System of Maryland, transferred title to its endowment investments to its foundation in exchange for an equivalent proportionate interest in the long-term investment portfolio managed by the foundation. In June 2011, the institution entered into a new agreement with the foundation. The agreement is for a term of five years, with renewable two-year extensions at the option of the institution, unless notice of intent to terminate the arrangement is provided prior to the expiration of the term. If the agreement is terminated, funds invested with individual investment managers that have commitments from the foundation to maintain investments for certain minimum time periods may not be returned to the institution until those constraints have been satisfied. For reporting purposes, the foundation's investments have been reduced by the amount of the institution's investments with the foundation.

The Maryland Stadium Authority is restricted by the trust indenture for each bond issue as to the investments which can be made. Authorized investments under the indentures include U.S. Treasury and agency obligations, municipal obligations, banker's acceptances, and repurchase agreements.

Investments of the component units are stated at fair value, which is based on quoted market prices.

The investments and maturities as of June 30, 2012, for the component units were as follows (amounts expressed in thousands).

		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-5	6-10	11-15	More than 15
US Treasury obligations	$ 39,159	$ 689	$ 20,269	$ 17,992	$ 34	$ 175
US Government agency obligations	96,946	2,000	23,726	3,442	6,266	61,512
Commercial paper	6,000	6,000				
Bond mutual funds	12,835	12,835				
Corporate debt securities	91,345	3,676	34,888	22,175	2,617	27,989
Municipal bonds	6,369	91	652	173		5,453
Money market mutual funds	113,832	113,832				
Total	$ 366,486	$ 139,123	$ 79,535	$ 43,782	$ 8,917	$ 95,129

In addition to the investments scheduled above, as of June 30, 2012, the component units' investments include the fair value of stock mutual funds, $241,205,000, corporate equity securities, $149,690,000, real estate, $35,331,000, and the share of assets invested with the foundation, $190,280,000.

Interest Rate Risk. The policy of the higher education institutions for managing their exposure to fair value loss arising from increasing interest rates is to comply with their investment policy, which sets maximum maturities for various fixed income securities.

Credit Risk. The policy of the higher education institutions for reducing their exposure to credit risk is to require minimum quality ratings for fixed income securities. The investment policy of the Maryland Prepaid College Trust requires the average rating in each portfolio to be "AA" or better. The trust indenture for each bond issuance by the Maryland Stadium Authority requires money market investments to be rated in the highest category by two nationally recognized securities rating organizations.

As of June 30, 2012, the component units had the following investments and quality ratings (amounts expressed in thousands).

Investment Type		Fair Value	Quality Rating	Rating Organization	Percentage of Total Investments
U.S. Agencies	$	9,856	AAA/Aaa	S&P & Moody's	1.0%
U.S. Agencies		71,215	AA/Aaa	S&P Moody's	7.2
U.S. Agencies		15,875	Not rated		1.6
Commercial paper		6,000	A1-P1	S&P Moody's	0.6
Money Market Mutual Funds		95,682	Aaa	Moody's	9.7
Money Market Mutual Funds		18,150	Not rated		1.8
Bond Mutual Funds		12,835	Not rated		1.3
Corporate Debt Securities		5,293	AAA/Aaa	S&P & Moody's	0.5
Corporate Debt Securities		14,843	AA/Aa	S&P & Moody's	1.5
Corporate Debt Securities		22,164	A	S&P & Moody's	2.3
Corporate Debt Securities		34,685	Less than A	Moody's	3.6
Corporate Debt Securities		88	BBB	S&P & Moody's	
Corporate Debt Securities		14,272	Not rated		1.5
Municipal Bonds		6,369	Aaa	Moody's	0.6
Total	$	327,327			33.3%

Concentration of Credit Risk. The component units place no limit on the amount they may invest in U.S. Government issuers.

In addition to the Maryland Prepaid College Trust, the College Savings Plans of Maryland consists of the Maryland College Investment Plan, a fiduciary component unit. As of June 30, 2012, the Plan has $2,675,273,000, of investments held in trust for individuals and organizations.

C. *Securities Lending Transactions*:

1. *Governmental and Enterprise Fund Types*:

Under Section 2-603 of the State's Finance and Procurement Article, the State lends U.S. Government securities to broker-dealers and other entities (borrowers). The State Treasurer's Office controls the program and authorizes all transactions. These transactions may involve certain investments held in the State treasury for the benefit of State agencies. The State's custodial bank manages the securities lending program by contracting with a lending agent who receives cash as collateral. The lending agent may use or invest cash collateral in accordance with the reinvestment guidelines approved by the State Treasurer's Office. Additionally, under the terms of the lending agreement, the lending agent indemnifies the State against any credit loss arising from investment of the collateral. The collateral will be returned for the same securities in the future. Cash collateral is initially pledge at a greater than the market value of the securities lent and additional cash collateral has to be provided by the next business day if the aggregate value of the collateral falls to less than 100 percent of the market value of the securities lent.

Securities on loan at year-end are owned by the general fund and the Maryland State Lottery Agency and are included in the preceding Investments Note 3.B. At year-end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State. As of June 30, 2012, the fair value of the loaned securities and the related collateral were as follows (amounts expressed in thousands).

	Fair Value		
	Lent Securities	Collateral Received	Percent Collateralized
Securities-General fund	$261,534	$266,825	102.0%
Securities-Lottery Agency	59,689	60,940	102.1%
Total	$321,223	$327,765	102.0%

Either the State or the borrower may terminate the lending agreements on demand. Lending agreements are usually short in duration. The duration of lending agreements is matched with the term to maturity of the investment of the cash collateral by investing only in repurchase agreements. Such matching existed at year-end. Investments made with cash received as collateral are included in the preceding Investments-Governmental Funds Schedule in 3.B.1.

The State's custodial bank is obligated to indemnify the State against liability for any suites, actions or claims of any character arising from or relating to the performance of the bank under the contract, except for liability caused by acts or omissions of the State.

The State did not experience any losses on their securities lending transactions for the year ended June 30, 2012.

2. Fiduciary Funds:

The Pension Trust Funds (Funds) participate in a securities lending program as permitted by the investment policies as approved by the Board of Trustees. The Fund's custodian lends specified securities to independent brokers in return for collateral of greater value. The preceding Investments – Fiduciary Funds Schedule in 3.B.3 includes securities lent at year-end for cash collateral and investments purchased with cash collateral.

Borrowing brokers must transfer in the form of cash or other securities, collateral valued at a minimum of 102% of the fair value of domestic securities and international fixed income securities, or 105% of the fair value of international equity securities on loan. Collateral is marked to market daily. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledge by the close of the next business day. In the event of default by a borrowing broker, the Funds' custodial bank is obligated to indemnify the Funds if, and to the extent that, the fair value of collateral is insufficient to replace the lent securities. The Funds have not experienced any loss due to credit or interest rate risk on securities lending activity since inception of the program. As of June 30, 2012, the funds had no credit risk exposure to borrowers because the fair value of collateral held for securities lent exceeded the fair value of the related securities, as follows (amounts expressed in thousands).

	Fair Value		
	Lent Securities	Collateral Received	Percent Collateralized
Lent for cash collateral:			
Fixed income securities	$1,612,666	$1,653,587	103%
Domestic equities	1,375,604	1,370,520	100%
International equities	416,777	428,002	103%
Subtotal	3,405,047	3,452,109	
Lent for noncash collateral:			
Fixed income securities	54,342	55,078	101%
Domestic equities	9,757	9,991	102%
International equities	9,451	9,991	106%
Total securities lent	$3,478,597	$3,527,169	101%

During fiscal year 2012, the Funds maintained the right to terminate securities lending transactions upon notice. Cash collateral is invested in one of the lending agent's short-term investment pools, which as of June 30, 2012, had an average

duration of 35 days and an average final maturity of 74 days. Because the relationship between the maturities of the investment pools and the Fund's security loans is affected by the maturities of the loans made by other entities that use the agent's pools, the Funds cannot match maturities. The Funds cannot pledge or sell collateral securities received unless and until a borrower defaults.

4. Receivables:

Taxes receivable, as of June 30, 2012, consisted of the following (amounts expressed in thousands).

	Major Governmental Funds			
	General	Special Revenue	Non-Major Governmental Funds	Total Governmental Funds
Income taxes	$ 677,537			$ 677,537
Sales and use taxes	412,367			412,367
Transportation taxes, primarily motor vehicle fuel and excise		$124,649		124,649
Other taxes, principally alcohol and property	51,948		$6,328	58,276
Less: Allowance for uncollectibles	46,166			46,166
Taxes receivable, net	$1,095,686	$124,649	$6328	$1,226,663

Tax revenues are reported net of uncollectible amounts. Total uncollectible amounts related to tax revenues of the current period were $5,732,000.

Other accounts receivable in the governmental funds of $627,519,000, including $70,908,000, due in excess of one year, consisted of various miscellaneous receivables for transportation costs, collection of bills owed to the State's collection unit, Medicaid reimbursements, and child support and public assistance overpayments.

Other accounts receivable for the enterprise funds of $523,443,000, primarily consisted of $272,157,000, due to the Maryland Unemployment Program from employers and for benefit overpayments, $56,000,000, due to the Economic Development Loan Programs for insurance companies for sales of InvestMD tax credits, and $41,467,000, due to the Maryland State Lottery Agency from lottery retailers for ticket sale proceeds and from casino operators for gross terminal revenue.

5. Deferred Revenue:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds, enterprise funds and component units also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of June 30, 2012, the various components of deferred revenue reported in the governmental funds and enterprise funds were as follows (amounts expressed in thousands).

	Unavailable	Unearned	Total
Tax receivables for revenues not considered available to liquidate liabilities of the current period (general fund)	$232,629		$232,629
Other receivables for revenues not considered available to liquidate liabilities of the current period (general fund)	197,439		197,439
Receipts that have been received, but not earned (general fund)		$ 97,372	97,372
Revenue in connection with resources that have been received, but not earned (special revenue fund)		189,347	189,347
Revenue in connection with resources that have been received, but not earned (enterprise funds)		23,554	23,554
Total deferred/unearned revenue for governmental funds and enterprise funds	$430,068	$310,273	$740,341

6. Loans and Notes Receivable and Investment in Direct Financing Leases:

A. Loans and Notes Receivable:

Loans and notes receivable, as of June 30, 2012, consisted of the following (amounts expressed in thousands).

	Primary Government			Component Units		
	General	Non-major Governmental Funds	Enterprise	Higher Education	Stadium Authority	Other
Notes receivable:						
Political subdivisions:						
Water quality projects		$ 2,194	$ 857,157			
Public school construction		171				
Other		12				
Volunteer fire & rescue companies	$ 8,470					
Permanent mortgage loans			2,944,109			
Student and health profession loans				$ 76,360		
Shore erosion loans	7,847					
Other	285			6,949	$ 4,428	$ 1,589
Total	16,602	2,377	3,801,266	83,309	4,428	1,589
Less: Allowance for possible loan losses			299,769	13,219		327
Loans and notes receivable, net	16,602	2,377	3,501,497	70,090	4,428	1,262
Due within one year	2,026	341	135,354	7,829	488	307
Due in more than one year	$ 14,576	$ 2,036	$ 3,366,143	$ 62,261	$ 3,940	$ 955

Certain notes receivable for advances of general obligation bond proceeds bear interest at rates ranging from 4.4% to 8.8% and mature within 21 years.

Water quality project loans consist of loans to various local governments and other governmental entities in the State for wastewater and drinking water projects under the United States Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds' Federal assistance program. The permanent mortgage loans consist of financing for single and multi-family projects, rental projects, small businesses, industrial sites and various other purposes. Student and health profession loans are made pursuant to student loan programs funded through the U.S. Government.

B. Investment in Direct Financing Leases:

Enterprise Funds:

As of June 30, 2012, the Maryland Transportation Authority (Authority) has direct financing leases with the State's Department of Transportation, the Washington Metropolitan Area Transit Authority (WMATA), and the general fund. The present value of direct financing leases as of June 30, 2012, was $343,373,000. As of June 30, 2012, the Authority held $119,858,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consisted of the following (amounts expressed in thousands).

2013	$ 27,194
2014	30,174
2015	19,729
2016	20,504
2017	20,199
2018-2022	109,953
2023-2027	130,375
2028-2032	64,090
2033	9,920
Total	432,138
Unearned interest income	31,093
Total lease payments	463,231
Restricted investments related to unexpended bond proceeds	119,858
Net investment in direct financing leases:	$ 343,373

Component Units:

As of June 30, 2012, the Maryland Stadium Authority (Authority) has direct financing leases with the State. The present value of the direct financing leases as of June 30, 2012, is $210,666,000. As of June 30, 2012, the Authority held $1,419,000, to be spent to complete assets under these direct financing leases. Lease payments receivable, including unearned interest for each of the five succeeding fiscal years and thereafter, including repayment of amounts to be spent, consist of the following (amounts expressed in thousands).

2013	$ 32,202
2014	32,229
2015	30,926
2016	25,883
2017	24,542
2018-2022	95,239
2023-2027	31,865
Total	272,886
Less: unearned interest income	60,801
Net Lease payments	212,085
Less: Restricted investments related to unexpended bond proceeds	1,419
Net investment in direct financing leases	$ 210,666

7. Restricted Assets:

Certain assets of the governmental activities, business-type activities and component units are classified as restricted assets on the Statement of Net Assets. The purpose and amount of restricted assets as of June 30, 2012, are as follows (amounts expressed in thousands).

Amount	Purpose
Governmental Activities:	
	Represents money restricted for construction retainages related to highway projects
$ 15,826	Represents State property taxes restricted to pay debt service on general obligation debt
228,256	Represents certificates of deposit linked to funds loaned under the State's housing loan program
4,120	
$248,202	
Business-type Activities:	
$3,542,611	Assets of the Community Development Administration and the State Funded Loan programs are restricted for various mortgage loans for low-income housing and local governments' public facilities
559,553	The purpose of the restricted assets is to secure the revenue bonds of the Maryland Water Quality Administration made for waste-water treatment systems and bay restoration.
1,078,060	Restricted assets represent deposits with the U.S. Treasury and amounts due from employers to pay unemployment compensation benefits in accordance with Federal statue
104,692	This cash is held in separate annuity contracts and coupon bonds in the Maryland State Lottery Agency for winning lottery ticket payouts and escrow deposits from video lottery terminal license applicants
659,207	Cash and investments have been restricted in accordance with revenue bond debt covenants of the Maryland Transportation Authority for completion of capital projects and debt service
87,968	Assets have been restricted by the Maryland Housing Fund to pay possible future claims under insurance for losses on mortgage loans
$6,032,091	
Component Units:	
$102,334	Restricted assets of higher education include funds held by the trustee for future construction projects and to pay debt service and cash restricted for endowment purposes.
7,403	Restricted assets of Maryland Stadium Authority include cash and investments that relate to revenue bond indentures and master equipment lease financing agreements
2,758	Restricted assets include cash and investments that related to revenue bond indentures and to restricted project funds for the provision of water supply and waste-water treatment by the Maryland Environmental Service.
$112,495	

8. Interfund Receivables and Payables:

Interfund balances, as of June 30, 2012, consisted of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount	
General Fund	Special Revenue Fund	$ 31,477	(a)
	Enterprise Funds –		
	Economic Development Loan Programs	759	(b)
	Maryland State Lottery Agency	71,449	(c)
		$103,685	
Special Revenue Fund	General Fund	$58,094	(d)
	Enterprise Funds -		
	Maryland Transportation Authority	77,658	(e)
		$135,752	
Enterprise Funds -			
Economic Development Loan Programs	General Fund	$14,121	(f)
	Non-major governmental funds	17,867	(g)
Unemployment Insurance Program	General Fund	2,664	(f)
Maryland Transportation Authority	Special Revenue Fund	4,532	(h)
		$ 39,184	
Agency Fund -			
Local Income Taxes	General Fund	$550,000	(i)

The receivable and payable transactions between the governmental funds and the enterprise funds are reported as due from and due to other funds. The receivable and payable transactions between the agency fund and the general fund are reported as accounts receivable from State treasury by the agency fund and due to other funds by the general fund.

The receivable and payable transactions between the Primary Government and Component Units, as of June 30, 2012, consist of the following (amounts expressed in thousands).

Receivable Fund	Payable Fund	Amount
General Fund	Higher Education Fund	$ 36,434
Component Units –	Agency Fund –	
Maryland Stadium Authority	Local Transportation Funds and Other Taxes	$ 3,385

The receivable and payable transactions between the general fund and component unit are reported as due from component units and due to primary government. The receivable and payable transactions between the component unit and agency fund are reported as due from primary government by the component unit and accounts payable and accrued liabilities by the agency fund.

(a) The amount represents Transportation Trust Fund revenues transferred to the general fund in July and August, 2012 and an overdraft in the special revenue fund's share of pooled invested cash.
(b) This amount represents payable balances for economic development loan program transfers.
(c) The amounts represent monies collected by the Maryland State Lottery in June, 2012, and paid to the general fund in July, 2012.
(d) The amount represents income and sales tax subsidies, interest income, return of unused administrative expenses and return of health insurance costs from the general fund.
(e) The Maryland Transportation Authority collects fees for the special revenue fund. The money will be used to build and maintain special revenue fund infrastructure, structures and other improvements.
(f) These amounts represent receivable balances from general fund subsidies.
(g) Bond funds collected by the capital projects fund on behalf of the economic development loan programs.
(h) The Maryland Transportation Authority receives rent, interest income and fees for services from the special revenue fund.
(i) The loans were made in accordance with Section 2-606 of Tax-General Article of the Annotated Code of Maryland

from the reserve of unallocated tax revenue that the Comptroller estimates will be claimed and refunded to taxpayers within 3 years of the date that the income tax return was filed. The money will be used to provide funding for public elementary and secondary education and the Maryland Medicaid Programs.

All Interfund balances except for (i) above, are expected to be repaid by June 30, 2013. For (i) above, the General Fund is required to pay to the agency fund $50,000,000, a year in each of fiscal years 2014 through 2020 and $33,333,000, a year in each of fiscal years 2021 through 2026.

9. Interfund Transfers:

Interfund transfers, for the year ended June 30, 2012, consisted of the following (amounts expressed in thousands).

Transfers In	Transfers Out	Amount
General Fund	Special Revenue Fund	$ 292,357
	Non-major Governmental Funds	26,089
	Enterprise Funds –	
	Maryland State Lottery Agency	685,146
	Economic Development Loan Programs	94,589
	Non-major Enterprise Funds	325
		$1,098,506
Special Revenue Fund	General Fund	$203,243
Non-major Governmental Funds	General Fund	$ 77,998
	Special Revenue Fund	172,342
		$250,340
Enterprise Funds -		
Loan Programs	General Fund	$ 21,161
	Non-major Governmental Funds	119,266
	Non-major Enterprise Funds	2,051
Maryland Transportation Authority	Non-major Governmental Funds	46,155
		$188,633

Transfers are primarily used to 1) transfer revenues from the fund required by statute or budget to collect the revenue to the fund required by statute or budget to expend them, 2) transfer receipts restricted to debt service from the funds collecting the receipts to the non-major governmental funds as debt service payments become due, and 3) provide unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. In addition, the non-major governmental funds transferred $24,917,000, of Program Open Space funds, $347,000, of interest earned on bonds, and $825,000, for expenses for bond sales to the general fund.

The Maryland State Lottery transferred revenue in excess of funds allocated to prize awards, casino operators, operating expenses and capital expenditure payments in the amount of $685,146,000, to the general fund. The general fund transferred $21,161,000, to support the operations of Enterprise Funds – Loan Programs, and the Enterprise Funds – Loan Programs transferred $94,589,000, of unused funds to the general fund. The non-major governmental funds also transferred $46,155,000, to the Enterprise Fund – Maryland Transportation Authority for the Inter-county Connector Project. Expenditures for capital projects of $119,266,000, were transferred to Enterprise Funds – Loan Programs.

During the year, the general fund and other governmental funds had expenditures of $1,195,309,000, and $207,580,000, respectively, that were for funds provided to supplement revenues and construction costs, respectively, of the higher education component units. The general fund also had net expenditures of $20,000,000, that were for funds provided to supplement revenues of the Maryland Stadium Authority. The general fund transferred $16,074,000, to the non-major component unit, the Maryland Technology Development Corporation, for Maryland Stem Cell Research and other operating grants.

10. Capital Assets:

A. Capital Assets, Primary Government:

Capital assets activity by asset classification net of accumulated depreciation, for the year ended June 30, 2012, was as follows (amounts expressed in thousands).

Governmental activities:

Classification	Balance July 1, 2011	Additions	Deletions	Transfers in (out)	Balance June 30, 2012
Capital assets, not depreciated,					
Land and improvements	$ 3,269,201	$ 20,572	$ 69,748	$ 3,963	$ 3,223,988
Art and historical treasures	9,370				9,370
Construction in progress	2,215,862	707,420	8,807	(356,155)	2,558,320
Total capital assets, not depreciated	5,494,433	727,992	78,555	(352,192)	5,791,678
Capital assets, being depreciated					
Structures and improvements	6,286,102	96,213	16,252	111,419	6,477,482
Equipment	2,707,799	70,364	85,100	95,276	2,788,339
Infrastructure	19,110,079	583,682		145,497	19,839,258
Total capital assets, being depreciated	28,103,980	750,259	101,352	352,192	29,105,079
Less accumulated depeciation for,					
Structures and improvements	2,639,557	187,324	3,010		2,823,871
Equipment	1,850,617	152,354	34,689		1,968,282
Infrastructure	9,860,139	748,723			10,608,862
Total accumulated depreciation	14,350,313	1,088,401	37,699		15,401,015
Total capital assets, net	$ 19,248,100	$ 389,850	$ 142,208	$ -	$ 19,495,742

Business-type activities:

Classification	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not depreciated:				
Land and land improvements	$ 411,331		$ 27,644	$ 383,687
Construction in progress	2,833,232	$ 457,193	2,283,018	1,007,407
Total capital assets, not depreciated	3,244,563	457,193	2,310,662	1,391,094
Capital assets, being depreciated:				
Structures and improvements	51,646	9,870		61,516
Equipment	106,051	29,184	1,012	134,223
Infrastructure	2,497,275	2,273,153	33,786	4,736,642
Total capital assets, being depreciated	2,654,972	2,312,207	34,798	4,932,381
Less: accumulated depreciation:				
Structures and improvements	23,141	1,118		24,259
Equipment	42,132	15,087	970	56,249
Infrastructure	1,177,336	43,898	16,839	1,204,395
Total accumulated depreciation	1,242,609	60,103	17,809	1,284,903
Total capital assets, net	$ 4,656,926	$2,709,297	$ 2,327,651	$ 5,038,572

B. *Depreciation Expense, Primary Government*:

The depreciation expense for the year ended June 30, 2012, for the primary government was charged as follows (amounts expressed in thousands).

Governmental activities:

Function	Amount
General government	$ 34,447
Education	3,730
Human resources	8,408
Health and mental hygiene	9,004
Environment	2,426
Public safety	40,718
Housing and community development	67
Natural resources and recreation	19,006
Transportation	940,278
Agriculture	27,441
Labor, licensing and regulation	484
Judicial	2,392
Total depreciation expense – governmental activities	$1,088,401

Business-type activities:

Function	Amount
State lottery	$ 10,817
Transportation Authority	47,919
Maryland Correctional Enterprises	1,363
Economic Development Loan Programs	4
Total depreciation expense – business-type activities	$ 60,103

11. Long-Term Obligations:

A. Governmental Activities:

Changes in governmental activities' long term debt, for the year ended June 30, 2012, were as follows (amounts expressed in thousands).

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds	$ 6,982,846	$ 1,505,695	$ 947,439	$ 7,541,102	$ 564,299
Transportation Bonds	1,561,840	276,435	275,645	1,562,630	130,620
Deferred amounts:					
Issuance premiums	634,463	250,017	78,860	805,620	
On refunding	(123,214)	(77,038)	(27,065)	(173,187)	
Total bonds and notes payable	9,055,935	1,955,109	1,274,879	9,736,165	694,919
Other Liabilities:					
Compensated absences	328,947	189,686	179,787	338,846	167,790
Self insurance costs	335,138	1,271,660	1,274,555	332,243	125,097
Net pension obligation	1,772,602	639,605		2,412,207	
Net other post employment benefits obligation	3,330,868	369,939		3,700,807	
Obligations under capital leases	755,778	214,000	214,125	755,653	59,541
Obligations under capital leases with component units	214,590		3,914	210,676	22,370
Pollution remediation	167,608	335	52	167,891	
Total other liabilities	6,905,531	2,685,225	1,672,433	7,918,323	374,798
Total long-term liabilities - governmental activities	$ 15,961,466	$ 4,640,334	$ 2,947,312	$ 17,654,488	$ 1,069,717

General Obligation Bonds –

General obligation bonds are authorized and issued primarily to provide funds for State owned capital improvements, facilities for institutions of higher education and the construction of public schools in political subdivisions. Bonds have also been issued for local government improvements, including grants and loans for water quality improvement projects and correctional facilities, and to provide funds for loans or outright grants to private, not-for-profit cultural or educational institutions. Under constitutional requirements and practice, the Maryland General Assembly, by a separate enabling act, authorizes loans for particular objects or purposes. Thereafter, the Board of Public Works, a constitutional body comprised of the Governor, the Comptroller and the State Treasurer, by resolution, authorizes the issuance of bonds in specified amounts. Bonds are issued and accounted for on a "cash flow" basis rather than a "project" basis and are not sold to specifically fund an enabling act. General obligation bonds are subject to arbitrage regulations. However, there are no major outstanding liabilities in connection with these regulations as of June 30, 2012. Bonds issued after January 1, 1988, are subject to redemption provisions at the option of the State.

General obligation bonds, which are paid from the general obligation debt service fund, are backed by the full faith and credit of the State and, pursuant to the State Constitution, must be fully paid within 15 years from the date of issue. Property taxes, bond premiums, interest subsidy payments from the Federal government, debt service fund loan repayments and general fund and capital projects fund appropriations provide the resources for repayment of general obligation bonds. During fiscal year 2012, the State issued $1,505,695,000 of general obligations at a premium of $202,455,000, with related issuance costs of $4,356,000.

Included in bond issuances were $393,295,000, to refund certain outstanding general obligation bonds issued between 2004 and 2008. From the refunding bonds and related premium of $69,990,000, $461,809,000, was transferred to an escrow account and used to purchase U.S. Government securities. These securities will be used to secure the principal, call premium, and interest related to the refunded bonds. The interest rates on the refunded bonds range from 4.0% to 5.3%. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is $25,227,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, is $21,323,000.

Refunded bonds of $1,211,890,000, maturing in fiscal years 2015-2023 and callable in fiscal years 2014-2017 were considered defeased as of June 30, 2012. Accordingly, the trust account assets and the liability for the defeased bonds were not included in these financial statements.

General obligation bonds issued and outstanding, as of June 30, 2012, were as follows (amounts expressed in thousands).

Issue	Maturity	Interest Rates	Annual Principal Installments			Principal Issued	Principal Outstanding
3/8/01	2004-2016	4.0-5.5%	$17,615	-	$20,535	$ 200,000	$ 76,195
7/26/01	2005-2017	5.0-5.5	16,680	-	20,285	200,000	92,180
11/21/01 (b)	2016	-			18,098	18,098	18,098
3/21/02 (a)	2003-2017	4.0-5.5	16,575	-	19,765	309,935	90,675
8/15/02 (a)	2003-2018	3.0-5.5	17,595	-	23,055	515,830	121,190
3/6/03	2006-2018	5.0-5.3	39,230	-	49,830	500,000	265,750
8/5/03	2007-2014	5.0	37,645	-	39,575	500,000	77,220
8/10/04	2008-2015	5.0	28,760	-	31,790	400,000	90,785
10/21/04 (a)	2005-2016	5.0	19,310	-	42,320	574,655	100,285
11/30/04 (b)	2020	-		-	9,043	9,043	9,043
3/17/05	2006-2015	4.0-5.3	25,220	-	27,805	350,000	79,505
3/17/05 (a)	2006-2015	4.0-5.3	11,955	-	80,015	281,185	149,185
8/11/05	2009-2021	4.3-5.0	29,370	-	43,820	430,000	170,650
8/11/05 (e)	2009-2013	4.3-4.5			4,330	20,000	4,330
3/23/06	2009-2021	4.0-5.0	19,105	-	27,955	280,000	137,180
3/23/06 (e)	2009-2013	5.0		-	4,400	20,000	4,400
8/10/06	2011-2022	4.3-5.0	22,920	-	34,870	350,000	221,115
12/20/06 (b)	2022	-			4,378	4,378	4,378
3/15/07	2010-2019	5.0	21,440	-	28,455	325,000	174,275
8/16/07	2011-2023	5.0	23,210	-	38,265	375,000	331,925
12/18/07 (b)	2023	-			4,986	4,986	4,986
3/12/08	2011-2021	4.0-5.0	24,895	-	36,785	400,000	144,090
7/28/08	2012-2024	5.0	25,335	-	41,705	415,000	390,635
12/16/08 (b)	2010-2021	1.6			464	5,563	4,172
3/16/09 (f)	2012-2023	4.0-5.0	4,475	-	28,865	199,220	173,955
3/16/09 (g)	2013-2024	2.0-5.0	5,490	-	42,125	225,780	186,265
8/18/09 Ser A	2013-2024	2.0-5.0	10,335	-	32,040	235,000	235,000
8/18/09 Ser B	2013-2024	4.0-5.3	7,845	-	25,775	200,000	200,000
8/18/09 (c)	2025	4.6			50,000	50,000	50,000
11/3/09	2013-2022	5.0	11,205	-	17,575	141,800	141,800
11/3/09 (c)	2023-2025	4.5-4.8	18,400	-	20,400	58,200	58,200
12/16/09 (d)	2025	-			50,320	50,320	50,320
12/17/09 (b)	2011-2025	1.6			371	5,563	4,822
12/18/09 (a)	2016-2021	2.0-5.0	29,560	-	178,775	602,765	602,765
3/9/10 (c)	2019-2025	4.0-4.6	52,450	-	62,170	400,000	400,000
3/9/10 (a)	2018-2023	3.0-5.0	2,330	-	60,600	195,315	195,315

8/10/10 Ser A	2014-2019	2.0-5.0	17,625	-	41,020	$ 143,335	$ 143,335
8/10/10 Ser B	2014-2022	2.5-5.0	15,400	-	44,765	221,665	221,665
8/10/10 (c)	2023-2026	4.2-4.3	17,960	-	19,575	75,000	75,000
8/10/10 (d)	2026	4.4			45,175	45,175	45,175
12/8/10 (b)	2025	5.0			4,543	4,543	4,543
3/22/2011 (h)	2014-2026	2.0-5.0	1,635	-	28,870	130,770	130,770
3/22/2011 (i)	2014-2026	3.0-5.0	1,875	-	43,505	354,230	354,230
8/5/2011 (h)	2015-2026	2.0-5.0	975	-	29,510	71,730	71,730
8/5/2011 (i)	2015-2027	3.0-5.0	205	-	46,090	418,270	418,270
8/5/2011 (b)	2027	4.2			15,900	15,900	15,900
8/5/2011 (j)	2027	4.2			6,500	6,500	6,500
9/28/2011 (a)	2020	2.0-5.0	30,025	-	61,040	254,915	254,915
3/20/2012 (h)	2027	1.3-5.0	1,050	-	8,530	56,085	56,085
3/20/2012 (i)	2027	3.0-5.0	27,215	-	54,210	543,915	543,915
3/20/2012 (a)	2023	4.0	25,055	-	40,005	138,380	138,380
		Totals				$11,333,048	$ 7,541,102

(a) Includes refunding debt
(b) Includes Qualified Zone Academy Bonds for which the purchaser may receive Federal tax credits each year the bonds are outstanding
(c) Includes federally taxable Build America Bonds for which the State receives a subsidy payment from the Federal government equal to 35% of interest payments
(d) Qualified School Construction Bonds for which the purchaser receives Federal tax credits each year the bonds are outstanding
(e) Taxable Bond Sale
(f) Institutional Bond Sale
(g) Retail Bond Sale
(h) Negotiated Bond Sale
(i) Competitive Bond Sale
(j) Qualified Energy Construction Bond Sale

General obligation bonds authorized, but unissued, as of June 30, 2012, totaled $ 2,330,440,000.

As of June 30, 2012, general obligation debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2013	$ 564,299	$ 336,483
2014	613,979	308,168
2015	657,704	278,491
2016	692,937	246,995
2017	663,649	213,242
2018 - 2022	2,863,962	631,561
2023 - 2027	1,484,572	129,665
Total	$ 7,541,102	$ 2,144,605

Subsequent to June 30, 2012, on August 14, 2012, general obligation bonds aggregating $543,230,000, were issued for capital improvements and general obligation refunding bonds in the amount of $183,795,000, were issued to refund certain outstanding general obligation bonds issued between 2006 and 2008 in order to realize savings on debt service costs. The general obligation bonds have interest rates ranging from 0.4% to 5.0% and mature through 2028. The refunding bonds have an interest rate of 4.5% and mature through 2021.

Transportation Bonds –

Transportation bonds outstanding as of June 30, 2012, were as follows (amount expressed in thousands).

	Outstanding
Consolidated Transportation Bonds – 2.0% to 5.5%, due serially through 2027 for State transportation activity	$1,375,055
Consolidated Transportation Bonds, Refunding – 5%, due serially through 2019 for State transportation activity	187,575
Total	$1,562,630

Consolidated Transportation Bonds are limited obligations issued by the Maryland Department of Transportation (Department) for highway, port, airport, rail, or mass transit facilities, or any combination of such facilities. The principal must be paid within 15 years from the date of issue.

As provided by law, the General Assembly shall establish in the budget for any fiscal year a maximum outstanding aggregate amount of these Consolidated Transportation Bonds as of June 30 of the respective fiscal year that does not exceed $2,600,000,000, through June 30, 2012, and thereafter. The aggregate principal amount of those bonds that was allowed to be outstanding as of June 30, 2012, was $1,888,995,000. The aggregate principal amount of Consolidated Transportation Bonds outstanding as of June 30, 2012, was $1,562,630,000. Consolidated Transportation Bonds are payable from the proceeds of certain excise taxes levied by statute, a portion of the corporate income tax and a portion of the State sales tax credited to the Department. These amounts are available to the extent necessary for that exclusive purpose before being available for other uses by the Department. If those tax proceeds become insufficient to meet debt service requirements, other receipts of the Department are available for that purpose. The holders of such bonds are not entitled to look to other State resources for payments.

Under the terms of the authorizing bond resolutions, additional Consolidated Transportation Bonds may be issued, provided, among other conditions, that (1) total receipts (excluding Federal funds for capital projects, bond and note proceeds, and other receipts not available for debt service), less administration, operation and maintenance expenses for the preceding fiscal year, equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued, and that (2) total proceeds from pledged taxes equal at least two times the maximum annual debt service on all Consolidated Transportation Bonds outstanding and to be issued.

The 2011 session of the General Assembly established a maximum outstanding principal amount of $627,800,000, as of June 30, 2012, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond (tax-exempt debt backed by annual federal appropriations for federal-aid transportation projects). This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department. As of June 30, 2012, the Department's nontraditional debt outstanding was $643,706,000, and was reported as obligations under capital leases and includes funds held by the bond trustee under these agreements.

Arbitrage regulations are applicable to the transportation bonds payable. The Department estimates there are no material liabilities for arbitrage rebates as of June 30, 2012.

During the year, the Department issued Consolidated Transportation Bonds in the amount of $115,000,000, with a net premium of $15,401,000, with maturities ranging from June 2015 to June 2027 and with interest rates ranging from 2.0% to 5.0%.

The Department also issued $161,435,000, of refunding Consolidated Transportation Bonds with net premium of $32,131,000, to advance refund 2004 Consolidated Transportation Bonds during the year. The refunding bonds mature from May 2015 to May 2019 with an interest rate of 5.0%. The net proceeds of these bonds were used to purchase U.S. Government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and liability for these bonds has been extinguished. The aggregate difference in debt services between the refunded debt and refunding debt is $14,563,000. The economic gain on the transaction is $13,599,000. As of June 30, 2012, the Department has $199,800,000 of defeased debt outstanding.

As of June 30, 2012, Department bond debt service requirements for principal and interest in future years were as follows (amounts expressed in thousands).

Years Ending June 30,	Consolidated Transportation Bonds Principal	Interest
2013	$ 109,340	$ 70,968
2014	130,620	65,619
2015	152,415	59,559
2016	158,995	52,488
2017	175,060	44,705
2018-2022	606,370	121,586
2023-2027	229,830	17,185
Total	$1,562,630	$432,110

Obligations Under Capital Leases –

Obligations under capital leases as of June 30, 2012, bore interest at annual rates ranging from 0.9% to 6.7%. Capital lease obligations with third parties in fiscal year 2012 increased by $4,593,000, for master equipment and building leases entered into by the general fund and include leases for various transportation related projects entered into by the Maryland Department of Transportation. The additions for transportation leases in the amount of $209,407,000, are related to new debt issued and for the refunding of the 2002 parking obligation. The interest savings for the Department on this transaction was $16,125,000. The capital leases with component units include the general fund's capital leases with the Maryland Stadium Authority, which are a schedule of annual future minimum payments under these obligations, along with the present value of the related net minimum payments as of June 30, 2012 (amounts expressed in thousands).

Years Ending June 30,	Capital Lease Obligations with Third Parties	Component Units
2013	$ 95,996	$ 32,212
2014	103,230	32,229
2015	80,763	30,926
2016	78,726	25,883
2017	75,297	24,542
2018-2022	352,420	95,239
2023-2027	283,759	31,865
2028-2032	122,525	
2033-2037	8,789	
Total future minimum payments	1,201,505	272,896
Less: Amount representing interest	364,802	60,801
Less: Restricted cash and investments	81,050	1,419
Present value of net minimum payments	$ 755,653	$210,676

The reduction shown for restricted cash and investments in the amounts of $81,050,000, and $1,419,000, is monies held by the bond trustee to be used primarily for construction expenditures.

The assets acquired through capital leases were as follows (amounts expressed in thousands).

Asset	Third Parties Amount
Construction in progress	$ 115,572
Land and improvements	19,103
Buildings and improvements	1,087,570
Machinery and equipment	276,740
Infrastructure	327,833
Total acquired assets	1,826,818
Less: Accumulated depreciation	62,427
Total capital assets - net	$1,164,391

Pollution Remediation Obligations –

The State has recognized a pollution remediation obligation on the statement of net assets for governmental activities. A pollution remediation obligation is a liability which addresses the current or potential detrimental effects of existing pollution and may include pre-cleanup activities (site assessment, feasibility study), cleanup activities (neutralization, containment, removal and disposal, site restoration), oversight and enforcement and post remediation monitoring.

Obligating events initiate the recognition of a pollution remediation liability. These events include any of the following.
(a) There is an imminent danger to the public.
(b) The State is in violation of a related permit or license.
(c) The State is identified as a responsible party or potentially responsible party (PRP) by a regulator.
(d) The State is named or has evidence that it will be named in a lawsuit.
(e) The State commences, or legally obligates itself to commence, pollution remediation activities.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The liability is recognized as it becomes estimable. In some cases, this may be at inception. In other cases, components of a liability (for example, legal services, site investigation or required post remediation monitoring) are recognized as they become reasonably estimable. At a minimum, the liability is reviewed for sufficiency when various benchmarks occur, such as receipt of an administrative order, participation as a responsible party or PRP in a site assessment, completion of a corrective measures feasibility study, issuance of an authorization to proceed, and as remediation is implemented and monitored.

Measurement of the liability is based on the current value of outlays expected to be incurred using the expected cash flow technique. This technique measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts – the estimated mean or average. Expected recoveries reduce the pollution remediation expense.

The pollution remediation estimated liability is $646,369,000, with approximately $478,478,000, of estimated recoveries from third parties to reduce the liability. Included in this liability are cost estimates for site monitoring and repair, excavation of road and infrastructure and replacement of buildings as a result of site contaminations by hazardous materials under Federal and State low in the amount of $157,291,000. In these cases, either the State has been named in a lawsuit by a State regulator or the State legally obligated itself under the Environmental Article, Section 7-201, of the Annotated Code of Maryland.

The estimated liability also includes $10,600,000, for the clean-up of an illegal tire dump for which the State is legally obligated under the Environmental Article, Section 9-2 of the Annotated Code of Maryland.

The cost estimates and assumptions for the pollution remediation due to site contamination from hazardous materials are based on engineering design estimates. The cost estimates and assumptions for the tire dump clean-up are based on estimated unit cost of $734/ton to $830/ton based on historical data, fuel costs, specific site factors and oversight costs.

No pollution remediation liability has been recognized for a former landfill on land owned by the highway department that has been identified for cleanup by the EPA. The EPA has invited the agency to participate in a PRP Group as owner-operator of the land. The agency has replied that it transferred the land in question to a local government. The State has not made a final commitment. Cleanup costs have yet to be determined.

For the governmental activities, compensated absences, self insurance, net pension obligations, net other post-employment benefits obligations, obligations under capital leases, and pollution remediation obligations are generally liquidated by the general or special revenue fund as applicable.

B. Long Term Obligations – Business-type Activities:

Changes in long-term obligations for business-type activities as of June 30, 2012, were as follows (amounts expressed in thousands).

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Bonds Payable:					
Revenue bonds payable	$6,504,780	$537,113	$664,665	$6,377,228	$221,825
Other Liabilities:					
Lottery prizes	79,870	5,370	21,380	63,860	17,063
Escrow deposits	27,308	21,132	13,096	35,344	14,658
Rebate liability	7,924	667	647	7,944	59
Compensated absences	12,130	7,018	6,589	12,559	2,867
Self insurance costs	11,347	2,775	2,271	11,851	1,837
Obligation under capital leases	44,886	21,613	10,287	56,212	25,910
Total other liabilities	183,465	58,575	54,270	187,770	62,394
Total long-term liabilities – business type activities	$6,688,245	$595,688	$718,935	$6,564,998	$284,219

Debt service requirements for business-type activities' notes payable and revenue bonds to maturity were as follows (amounts expressed in thousands).

Year Ended June 30,	Community Development Administration		Maryland Water Quality Financing Administration		Maryland Transportation Authority	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 94,740	$ 116,555	$ 13,400	$ 4,240	$ 112,435	$ 144,229
2014	86,770	113,367	13,470	3,760	118,648	151,915
2015	90,825	110,078	6,560	3,192	112,252	146,979
2016	96,555	106,500	7,185	2,910	121,918	141,618
2017	96,015	103,154	4,550	2,655	123,460	135,184
2018 - 2022	430,415	457,779	40,245	9,064	545,386	579,234
2023 - 2027	373,600	370,440	11,185	1,068	446,377	463,892
2028 - 2032	478,455	285,924			464,380	350,752
2033 - 2037	530,425	195,037			510,686	232,251
2038 - 2042	395,870	91,663			559,054	100,163
2043 - 2047	198,890	24,020			146,840	11,556
2048 - 2052	38,935	3,322			18,264	232
Total	2,911,495	1,977,839	96,595	26,889	3,279,700	2,458,005
Discounts, premiums and other deferred costs	14,654		2,514		68,534	
Total	$ 2,926,149	$ 1,977,839	$ 99,109	$ 26,889	$ 3,348,234	$ 2,458,005

Community Development Administration (Administration) – Revenue Bonds:

The Administration, an agency of the Department of Housing and Community Development, has issued revenue bonds, proceeds of which were used for various mortgage loan programs. Assets aggregating approximately $3,542,214,000, and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. Interest rates range from 0.4% to 6.8%, with the bonds maturing serially through December, 2051. The principal amount outstanding as of June 30, 2012, was $2,926,149,000. Substantially all bonds are subject to redemption provisions at the option of the Administration. Redemptions are permitted at rates ranging from 100% to 101% of the outstanding principal amount. During fiscal year 2012, the Administration issued $133,520,000, of revenue bonds with interest rates ranging from 0.2% to 5.0% and maturing serially through December, 2051.

Subsequent to June 30, 2012, the Administration issued a total of $111,495,000, and redeemed a total of $9,765,000, revenue bonds.

Interest Rate Swaps:

Objective of the interest rate swap. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Administration entered into interest rate swaps in connection with the variable rate revenue bonds totaling $267,230,000. The intention of the swaps was to effectively change the Administration's variable interest rate on the bonds to fixed rates.

Terms. The bonds and the related swap agreements mature from September 1, 2025 through September 1, 2043, and the swaps' notional amount of $267,230,000, matches the amount of the variable rate bonds. Under the swap agreements, the Administration pays the counterparty a fixed payment of from 3.7% to 4.8% and receives a variable payment computed as either 64% of the London Interbank Offered Rate (LIBOR) plus 0.2% or 0.3%. Conversely, the bonds' variable rate is based on the Securities Industry and Financial Markets Association Rate.

Credit risk. The fair value of the swaps represents the Administration's credit exposure to each counterparty as of June 30, 2012. The fair value of three swaps with one counterparty is ($9,454,000), the fair value of one swap with a second counterparty is ($5,201,000), the fair value of three swaps with a third counterparty is ($19,399,000), and the fair value of one swap with a fourth counterparty is ($1,808,000). Therefore, the Administration is not exposed to credit risk as of June 30, 2012, because the swaps have a negative fair value. However, should the valuation of the swap change and the fair value turn positive, the Administration would be exposed to credit risk in the amount of the swap's fair value. The first counterparty is rated A by Standard & Poor's and Aa by Moody's, the second counterparty is rates A by Standard & Poor's and Fitch and A by Moody's, the third counterparty is rated Aa by Moody's and AAA by Standard & Poor's, and the fourth counterparty is rated Aa by Moody's and AA by Fitch. To mitigate the potential for credit risk, if the counterparties' credit quality falls below A, the fair value of the swaps will be fully collateralized by the counterparties.

Basis risk. The swaps would expose the Administration to basis risk should the relationship between LIBOR and the Security Industry and Financial Markets Association Rate converge. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized.

Termination risk. The Administration or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The counterparty can terminate the contract if the ratings on the related bonds fall below the credit rating thresholds. If a swap is terminated, the underlying variable rate bonds may be exposed to rising interest rates. If at the time of such termination a swap has a negative fair value, the Administration would be liable to the counterparty for a payment equal to the swap's fair value along with any accrued interest.

Swap payments and associated debt. Using rates as of June 30, 2012, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, are as follows (amounts expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ended June 30,	Hedged Variable Rate Bonds Principal	Hedged Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2013	$ 7,000	$ 687	$ 10,251	$ 17,938
2014		667	9,852	10,519
2015		667	9,495	10,162
2016		668	9,162	9,830
2017		666	8,713	9,379
2018 - 2022	10,065	3,291	37,244	50,600
2023 - 2027	10,950	3,203	30,745	44,898
2028 - 2032	108,790	2,893	25,862	137,545
2033 - 2037	72,605	1,190	14,945	88,740
2038 - 2042	41,705	589	3,465	45,759
2043 - 2047	16,115	133	25	16,273
Total	$ 267,230	$ 14,654	$ 159,759	$ 441,643

Fair value. Because interest rates have generally decreased since execution of the swaps, the swaps have a fair value of ($35,862,000) as of June 30, 2012. The swap's fair value may be countered by a decrease in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the coupons on the Administration's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value decrease.

The table below summarizes the total fair values for the Administration's interest rate swaps as of June 30, 2011 and 2012, and the changes in fair values for the year ended June 30, 2012 (amounts expressed in thousands).

	Total Fair Value at June 30, 2011	Total Fair Value at June 30, 2012	Change in Fair Value For the Period
Interest rate swaps:			
Cash flow hedges	$(26,475)	$(35,862)	$(9,387)

The fair value balances of derivative instruments (interest rate swaps) outstanding as of June 30, 2012, classified by type, and the changes in fair value as presented on the financial statements for the year ended June 30, 2012, are as follows (amounts expressed in thousands).

	Change in Fair Value		Fair Value at June 30, 2012		Outstanding Notional
	Classification	Amount	Classification	Amount	Amounts
Cash flow hedges:					
Pay fixed interest rate swaps	Deferred outflow	$(9,387)	Debt	$(35,862)	$267,230

The fair value of the swaps is based on market value and is affirmed by an independent advisor whose valuation method and assumptions are in accordance with accounting guidance issued by GASB. The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on each future net settlement on the swaps.

As of June 30, 2012, all of the Administration's swaps meet the criteria for effectiveness and the swap fair values are classified as deferred outflow.

Maryland Water Quality Financing Administration (Administration) – Revenue Bonds:

The Administration, an agency of the Department of Environment, has issued revenue bonds for providing loans and grants. Interest rates range from 3.3% to 4.1%, payable semiannually, with annual installments from $2,825,000, to $10,575,000, to March 1, 2025. The principal amount outstanding as of June 30, 2012, was $99,109,000. These bonds were payable solely from the revenue, money or property of the Administration.

Maryland Transportation Authority Bonds:
Bonds outstanding as of June 30, 2012, are as follows (amounts expressed in thousands).

Series 1992 Capital appreciation refunding and financing revenue bonds for the Authority's Transportation Facilities Projects maturing in annual installments of original principal ranging from $2,488 to $15,415 from July 1, 2012, to July 1, 2015, with approximate yields to maturity of 6.3% to 6.4% and an accreted amount	$ 23,368
BWI Consolidated Car Rental Facility Revenue bonds, Series 2002, maturing in annual installments ranging from $2,400 to $8,505 from July 1, 2012, to July 1, 2032, with interest rates ranging from 2.7% to 6.7%, payable semiannually	101,440
BWI Parking Garage Revenue Bonds, Series 2002 A and B, maturing in annual installments ranging from $8,535 to $16,455 from March 1, 2013, to March 1, 2027, with interest rates ranging from 4.0% to 5.3% payable semiannually	190,560
BWI Facilities Projects Bonds, Series 2003, maturing in annual installments ranging from $10,800 to $11,200 from July 1, 2012, to July 1, 2013, with a current variable rate of .07%, payable semiannually	22,000
WMATA Metrorail Parking Projects Bonds, Series 2004, maturing in annual installments ranging from $1,315 to $2,780 from July 1, 2012, to July 1, 2028, with interest rates ranging from 3.0% to 5.0%, payable semiannually	33,175
Series 2004 Revenue bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of $1,270 to $15,235 from July 1, 2012, to July 1, 2032, with interest rates ranging from 4.5% to 5.3% payable semiannually	83,995
Calvert Street Parking Project Revenue bonds, Series 2005, maturing in annual installments ranging from $675 to $1,415 from July 1, 2012, to July 1, 2032, with interest rates ranging from 3.3% to 4.4% payable semiannually	20,670
Grant and Revenue Anticipation Bonds, Series 2007 (GARVEE bonds), maturing in annual installments ranging from $25,735 to $34,390 from March 1, 2013, to March 1, 2019, with an interest rate of 4.0% payable semiannually to finance the Intercounty Connector Highway Project	209,180
Series 2007 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of $1,025 to $12,685 from July 1, 2012, to July 1, 2041, with interest rates ranging from 4.0% to 5.0% payable semiannually	300,000
Series 2008 Revenue Bonds, for construction and improvement of Authority's Transportation Facilities projects, maturing in annual installments of $8,885 to $31,070 from July 1, 2012, to July 1, 2041, with interest rates ranging from 4.8% to 5.1% payable semiannually	573,305
Series 2008 A Revolving loan under the Transportation Infrastructure Finance and Innovation Act (TIFIA),.for the Intercounty Connector Project with a fixed interest rate at 2.6% and an accreted amount	397,497
Series 2009 Revenue Bonds, for construction and improvements of Authority's Transportation Facilities projects, maturing in annual installments of $2,380 to $14,570 from July 1, 2016 to July 1, 2043 with interest rates ranging from 3.0% to 5.9% payable semiannually	549,385
Series 2010 Revenue Bonds, for construction and improvements of the Authority's Transportation Facilities projects, maturing in annual installments ranging from $4,535 to $5,520 from July 1, 2015 to July 1, 2041 with interest rates ranging from 3.0% to 5.8% payable semiannually	326,435
Grant and Revenue Anticipation Bonds, Series 2008 (GARVEE bonds), maturing in annual installments ranging from $34,585 to $48,865 from March 1, 2013, to March 1, 2020, with an interest rate of 4.3%, payable semiannually	330,175
Passenger Facility Charge Revenue Bonds, Series 2012A, maturing in annual installments of $1,795 to $3,780 from June 1, 2013 to June 1, 2032 with a current variable rate of .07% payable semi annually	50,905
Series 2012 Revenue Refunding Bonds maturing in annual installments of $3,615 to $6,225, from July 1, 2016 to July 1, 2029 with interest rates ranging from 3.0% to 5.0% payable semiannually	67,610
Unauthorized premium and deferred costs	68,534
Total	$3,348,234

Revenue bonds are payable solely from the revenues of the transportation facilities projects. Capital assets constructed from BWI facilities, WMATA Metrorail and the Calvert Street Parking Project are not capital assets of the Authority. Capital appreciation bonds payable and TIFIA bonds included accreted amounts of $16,595,000, and $13,519,000, respectively, as of June 30, 2012.

Grant and Revenue Anticipation Bonds (GARVEE Bonds) are payable from a portion of Maryland's future Federal highway aid and other pledged moneys. These bonds are not general obligations of the Authority or legal obligations of the Maryland Department of Transportation or the State.

During the year ended June 30, 2012, the Authority issued $50,905,000, of Passenger Facility Charge Revenue Bonds, Series 2012A, at a current variable rate of .07% maturing serially through July, 2032, for construction and improvements to the Authority's transportation facilities projects. The Authority also issued $67,610,000, of Series 2012 Transportation Facilities Projects Revenue Bonds with interest rates ranging from 3.0% to 5.0% maturing serially through July 2029 to advance refund $70,495,000, of Series 2004 Transportation Facilities Project Revenue Bonds. The refunding bonds were issued to reduce total debt service payments by $12,019,000, and to obtain an economic gain (difference between the present value of the debt service on the old and new debt) of $9,697,000.

Obligations Under Capital Leases –

Obligations of business-type activities under capital leases as of June 30, 2012, were as follows (amounts expressed in thousands).

Years Ending June 30,	State Lottery Agency
2013	$25,909
2014	14,111
2015	9,287
2016	8,680
Total minimum lease payments	57,987
Less: Imputed interest	1,775
Present value of net minimum lease payments	$56,212

The Lottery has entered into lease agreements for certain on-line gaming system equipment and a computer system. As of June 30, 2012, assets acquired under leases and the related accumulated amortization totaled $68,286,000, and $18,425,000, respectively, and were included in capital assets in the Statement of Net Assets, Business-type Activities.

C. Notes and Revenue Bonds Payable – Component Units:

Higher Education –

Certain State higher education institutions have issued revenue bonds for the acquisition, renovation, and construction of student housing and other facilities. Student fees and other user revenues collateralize the revenue bonds. Interest rates range from 2.0%-6.1% on the revenue bonds.

Debt service requirements to maturity were as follows (amounts expressed in thousands).

	Notes Payable and Other Long-Term Debt		Revenue Bonds	
Year Ending June 30,	Principal	Interest	Principal	Interest
2013	$ 7,795	$ 3,823	$ 78,095	$ 50,044
2014	6,985	3,618	73,170	46,927
2015	4,942	3,462	76,780	43,892
2016	4,445	3,345	80,515	40,501
2017	3,914	3,275	79,825	36,918
2018-2022	34,876	13,882	368,045	133,189
2023-2027	33,664	505	246,635	62,987
2028-2032			115,200	13,069
2033-2037			1,825	187
2038			2,270	56
Total	96,621	31,910	1,122,360	427,770
Accumulated accreted interest and other deferred cost			31,098	
Total	$ 96,621	$ 31,910	$ 1,153,458	$ 427,770

The bonds issued are the debt and obligation of the issuing higher education institutions and are not a debt and obligation of, or pledge of, the faith and credit of the State.

As of June 30, 2012, higher education institutions have defeased debt outstanding of $141,358,000, resulting from the refunding of previously issued debt. Accordingly, the trust account assets and the liability for the defeased bonds were not included in these financial statements.

As of June 30, 2012, cash and investments were held by the trustees for the higher education institutions in the amount of $95,348,000, for the University System of Maryland (System), $124,000, for St. Mary's College of Maryland, and $4,661,000, for Morgan State University.

On October 6, 2011, the System issued $115,000,000, of 2011 Series A Bonds at interest rates ranging from 3.0% to 5.0% maturing from 2012 to 2031 for university facilities. The System also issued $38,075,000, of 2011 Refunding Series B Bonds to refund $38,750,000, of existing bonds at a premium of $3,642,000. The refunding bonds bear interest at 3.0% to 5.0% and mature from 2014 to 2024. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is $1,631,000. The economic gain on the transaction, that is, the difference between the present value of the debt service streams for the refunding debt and refunded debt, is $1,357,000.

On February 9, 2012, the System also issued $70,825,000, of 2012 Refunding Series A and B Bonds to refund $69,735,000 of existing bonds at a premium of $4,419,000. The refunding bonds bear interest at 2.0% to 4.0% and mature from 2013 to 2024. The purpose of the refunding was to realize savings on debt service costs. The aggregate difference in debt service between the refunded debt and the refunding debt is $9,560,000. The economic gain on the transaction is $9,054,000.

St. Mary's College issued $15,750,000, of 2012 Subordinate Revenue Bonds, Series A, maturing in 2038 on June 6, 2012. The bonds refinanced the Series A 2002 and 2003 bonds. The difference between the cash flows required to service the old and new debt is $2,619,000. The economic gain on the transaction is $2,026,000.

Obligations under capital leases of $17,344,000, existed as of June 30, 2012, and bore interest at annual rates ranging from 1.0% to 6.8%.

Maryland Stadium Authority (Authority) – Revenue Bonds:

Debt service requirements to maturity for Maryland Stadium Authority revenue bonds and notes payable were as follows (amounts expressed in thousands).

Years Ending June 30,	Principal	Interest
2013	$ 24,632	$ 10,969
2014	34,124	9,876
2015	34,510	8,574
2016	20,595	7,369
2017	20,159	6,464
2018-2022	84,516	18,247
2023-2026	28,422	3,933
Total	246,958	65,432
Unamortized premium net of unamortized discount	6,949	
Total	$253,907	$65,432

The Authority has issued various lease revenue bonds and notes to finance the construction of the baseball and football stadiums, convention center expansions in Baltimore City and the Town of Ocean City and certain other facilities. The outstanding debt is to be repaid through capital lease payments from the State, as the State has entered into capital lease arrangements for the use of the facilities financed with the debt proceeds.

As of June 30, 2012, the Authority had outstanding revenue bonds for the construction, renovation and expansion of certain facilities as follows (amounts expressed in thousands).

Facility	Outstanding Amount	Interest Rates	Maturity Date
Baseball Stadium	$118,169	Variable	July 1, 2022
Football Stadium	66,436	Variable	March 1, 2026
Baltimore City Convention Center	13,555	Variable	December 15, 2014
Ocean City Convention Center	5,385	2.3%	December 15, 2015
Hippodrome Performing Arts Center	13,713	5.0% to 6.3%	June 15, 2022
Montgomery County Conference Ctr	15,996	2.0% to 5.0%	June 15, 2024
Camden Station	7,240	3.0% to 5.2%	December 15, 2024
Camden Yards Complex	13,413	1.3% to 5.6%	January 1, 2018
Total	$253,907		

12. Insurance:

The self-insurance liabilities represent the State's liability for its various self-insurance programs. The State is self-insured for general liability, property and casualty, worker's compensation, environmental and anti-trust liabilities and certain employee health benefits. Commercial insurance coverage is purchased for specialized exposures such as aviation hull and liability, steam boiler coverage and certain transportation risks. There were no significant reductions or changes in the commercial insurance coverage from the prior year, and the amount of settlements have not exceeded insurance coverage for any of the past three fiscal years.

All funds, agencies and authorities of the State participate in the self-insurance program (Program). The Program, which is accounted for in the general fund, allocates the cost of providing claims servicing and claims payment by charging a "premium" to each fund, agency or public authority, based on a percentage of each organization's estimated current-year payroll or based on an average loss experienced by each organization. This charge considers recent trends in actual claims experience of the State as a whole and makes provision for catastrophic losses.

The Program's liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, actual claims paid could differ from these estimates. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. Non-incremental claims adjustment expenses have been included as part of the liability for claims and adjustments for the general liability, property and casualty, workers' compensation, environmental and anti-trust liabilities. Liabilities for incurred workers' compensation losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a 4% discount rate. The worker's compensation and property and casualty costs are based upon separately determined actuarial valuations for the following fiscal years ending. The employee health benefits liability is calculated based on claims subsequently reported and claims trends.

Changes in the self-insurance liabilities during the fiscal year 2012 were as follows (amounts expressed in thousands).

	Beginning-of-Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End-of-Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability	$ 15,157	$ 11,414	$ 9,854	$ 16,717	$ 7,105
Workers' compensation	231,092	44,761	51,777	224,076	26,543
Employee health benefits	88,889	1,215,484	1,212,923	91,450	91,450
Govermental activities self-insurance costs	335,138	1,271,659	1,274,554	332,243	125,097
Business-type activities workers' compensation	11,347	2,705	2,201	11,851	1,837
Component units workers' compensation	34,249	8,707	7,074	35,882	5,561
Total self-insurance costs	$ 380,734	$ 1,283,071	$ 1,283,829	$ 379,976	$ 132,495

As of June 30, 2012, the Program held $230,113,000, in cash and investments designated for payments of these claims.

Changes in the self-insurance liabilities during fiscal year 2011 were as follows (amounts expressed in thousands).

	Beginning-of-Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End-of-Fiscal Year Liability	Amounts Due Within One Year
Property, casualty and general liability	$ 15,455	$ 7,596	$ 7,894	$ 15,157	$ 4,070
Workers' compensation	228,501	49,946	47,355	231,092	28,438
Employee health benefits	89,985	1,146,110	1,147,206	88,889	88,889
Governmental activities self-insurance costs	333,941	1,203,652	1,202,455	335,138	121,397
Business-type activities workers' compensation	8,796	4,866	2,315	11,347	1,759
Component units workers' compensation	35,271	5,289	6,311	34,249	5,308
Total self-insurance costs	$ 378,008	$ 1,213,807	$ 1,211,081	$ 380,734	$ 128,464

As of June 30, 2011, the Program held $216,169,000, in cash and investments designated for payments of these claims.

13. Fund Equity:

The unrestricted deficit for governmental activities on the government-wide statement of net assets is $10,023,466,000. A portion of the deficit results from the State incurring a debt for the purposes of capital acquisition and construction on behalf of local governments and private organizations. Since the incurrence of this debt does not result in capital assets of the State, the debt is not reflected in the net asset category, invested in capital assets, net of related debt, but rather in the unrestricted net assets category. As of June 30, 2012, the State had reported outstanding general obligation bonds and capital leases applicable to these non-State projects of $4,810,338,000. Without State financing for these capital assets, the State would have reported an unrestricted deficit for governmental activities in the amount of $5,213,128,000.

The statement of net assets for the primary government reported $2,448,922,000, of restricted net assets, including $228,256,000, restricted by enabling legislation.

Detail of the fund balance categories and classification shown in the aggregate on the governmental funds balance sheet were as follows (amounts in thousands).

	General	Special Revenue: Maryland Department of Transportation	Other Governmental Funds	Total Governmental Funds
Fund balances:				
Nonspendable - Prepaid items, inventories and long-term loans and notes receivable	$ 485,654	$ 181,093		$ 666,747
Restricted:				
Debt service			$ 228,256	228,256
Other purposes	632	560		1,192
Committed:				
State Reserve Fund	674,354			674,354
Health and mental hygiene	277,545			277,545
Education	46,969			46,969
Aid for higher education	45			45
Human resources	1,227			1,227
Public safety	31,628			31,628
Transportation		45,527		45,527
Judicial	77,152			77,152
Labor, licensing and regulation	8,961			8,961
Natural resources and recreation	54,170			54,170
Housing and community development	3,127			3,127
Environment	27,964			27,964
Agriculture	7,730			7,730
Business and economic development	16,086			16,086
Capital projects			504,760	504,760
Other purposes	44,807			44,807
Unassigned	(680,949)		(431,416)	(1,112,365)
Total fund balances	$ 1,077,102	$ 227,180	$ 301,600	$ 1,605,882

A portion of the general fund's committed fund balance, in the amount of $674,354,000, as of June 30, 2012, includes the State Reserve Fund, which consisted primarily of the Revenue Stabilization Account with a balance of $671,528,000. The Revenue Stabilization Account, authorized in Section 7-311 of the State Finance and Procurement Article, Annotated Code

of Maryland, was designed to retain State revenues for future needs and reduce the need for future tax increases.

Appropriations are required to the Revenue Stabilization Account when the unappropriated general fund surplus of the second preceding fiscal year exceeds $60,000,000. Appropriations are also required in years when the account balance is less than 7.5% of estimated general fund revenues. If the account balance is at least 3% but less than 7.5%, an appropriation of $50,000,000, or whatever lesser amount is necessary to bring the account balance to 7.5% of estimated general fund revenues is required; if the account balance is less than 3%, the required appropriation is $100,000,000. Transfer of funds from the account that does not result in a balance below 5% must be authorized by (1) an act of the General Assembly or (2) a specific provision of the State budget bill as enacted. Transfers resulting in a balance below 5% must be authorized by an act of the General Assembly other than the budget bill. The use of a budget amendment for fund transfer is prohibited.

The unrestricted deficit in net assets in other enterprise funds of $4,992,000, for the Economic Development Insurance Programs occurred because of restrictions for insuring mortgages.

14. Segment Information:

The State's Economic Development Loan Program contains two separately identifiable activities that have separately issued revenue bonds outstanding; housing loans of the Community Development Administration and water quality loans and grants of the Maryland Water Quality Administration.

The Community Development Administration (CDA) has issued revenue bonds, the proceeds of which were used for various mortgage loan programs. The assets of the loan program and revenues of each mortgage loan program are pledged as collateral for the revenue bonds. The bond indentures require the CDA to separately account for the identifiable activity's revenues, expenses, gains and losses, assets and liabilities.

The Maryland Water Quality Administration has issued revenue bonds to encourage capital investment for wastewater treatment systems and bay restoration. These bonds are payable solely from, and secured by, the revenue, money or property of the Maryland Water Quality Administration. The bond indentures require separate accounting for the identifiable activity's revenues, expenses, gains and losses, assets, and liabilities.

Summary financial information for the two loan programs is presented below:

Condensed Statement of Net Assets
As of June 30, 2012
(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Assets:		
Current restricted assets	$ 661,594	$ 73,258
Non-current restricted assets	2,880,620	486,294
Total assets	3,542,214	559,552
Liabilities:		
Current liabilities	167,935	14,676
Non-current liabilities	2,889,913	86,758
Total liabilities	3,057,848	101,434
Net Assets:		
Restricted	484,366	458,118
Total net assets	$ 484,366	$ 458,118

Condensed Statement of Revenues, Expenses and Changes in Net Assets
For The Year Ended June 30, 2012

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Operating income (expenses):		
Interest on loan income	$ 131,293	$ 7,381
Other operating revenues	5,661	
Other operating expenses	(45,700)	
Operating income	91,254	7,381
Non-operating revenues (expenses)	(66,479)	(46,981)
Change in net assets	24,775	(39,600)
Beginning net assets	459,591	497,718
Ending net assets	$ 484,366	$ 458,118

Condensed Statement of Cash Flows
For The Year Ended June 30, 2012

(Expressed in Thousands)

	Community Development Administration	Maryland Water Quality Administration
Net cash from:		
Operating activities	$ 248,660	$ 66,780
Non-capital financing activities	(248,367)	(70,515)
Investing activities	(128,356)	3,735
Beginning cash and cash equivalents	612,406	
Ending cash and cash equivalents	$ 484,343	$ -

15. Retirement Benefits:

Maryland State Retirement and Pension System (System):

The State is a sole employer in the cost-sharing multiple-employer public employee retirement system established by the State to provide pension benefits for State employees (other than employees covered by the Maryland Transit Administration Pension Plan described below) and employees of 133 participating political subdivision or other entities within the State.

The System is made up of two cost sharing pools: The "State Pool" and the "Municipal Pool". Neither pool participates in the liabilities of the other. The non-State entities that participate within the System receive separate actuarial valuations in order to determine their respective funding levels and actuarial liabilities. The non-state entities' only liability is to make the contribution determined by the System. Retirement benefits are paid from the System's pooled assets rather than from assets relating to a particular plan participant. If the required contribution of municipal pool members is insufficient to fund the actuarial liabilities of the pool, the contribution is required to be revised. Remaining members of the municipal pool are required to make the payment of benefits to all employees vested with the pool. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits if the municipal pool is unable to pay benefits. The System is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. The system is accounted for as a single plan as defined by the codification of the Governmental accounting Standards Board (GASB) for accounting for defined benefit pension plans.

The System prepares a separately audited Comprehensive Annual Financial Report, which can be obtained from the Maryland State Retirement and Pension System, 120 E. Baltimore Street, Suite 1600, Baltimore, Maryland 21202-1600.

Plan Description:

The System is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland and consists of several plans which are managed by the System's Board of Trustees. All State employees and employees of participating entities are covered by the plans.

"Retirement System" – retirement programs for substantially all state employees, teachers, State police and judges who are not members of the State Pension System.

"Pension System" – retirement programs for employees and teachers hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System.

The System provides retirement, death and disability benefits in accordance with State statutes. Vesting begins after 5 years of service. A member terminating employment before attaining retirement age, but after completing 5 years of services becomes eligible for a vested retirement allowance provided the member does not withdraw his or her accumulated contributions. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. Members of the Pension Systems may retire with full benefits after attaining the age 62, or after completing 30 years of Service Credit, regardless of age. State police members may retire with full benefits after attaining age 50, or completing 22 years of service credit, regardless of age. Members of the Law Enforcement Officers System may retire with full benefits at age 50, or completing 25 years of service credit, regardless of age.

The annual benefit for Retirement System Members is equal to 1/55 (1.8%) of the member's highest three-year average final salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member of the pension system will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.8% of the highest three-consecutive year average final salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Integration Level base. A member of either type of pension system may retire with reduced benefits after attaining age 55 and completing 15 years of service.

For new System members hired on or after July 1, 2011, benefit reforms enacted during the 2011 Legislative Session establish the pension benefit multiplier at 1.5% rather than 1.8%, calculate average final compensation based on the five highest consecutive years of service rather than the three highest, and allow vesting after ten years of eligible service rather than five years.

The annual retirement allowance for a State Police member is equal to 2.55% of the member's highest three-year average final salary multiplied by each year of service and may not exceed 71.4% of member's three years average final compensation. The annual retirement allowance for a member of the Law Enforcement Officers Pension System (LEOPS) is 2.0% of the member's highest three-consecutive year average final salary (AFC) multiplied by each year of service up to a maximum of 30 years plus 1.0% AFC of accumulated credible service in excess of 30 years. Neither the State Police Retirement System nor Law Enforcement Officers Pension System provide for an early retirement. Reforms similar to those enacted for System employees and teachers were enacted for other systems in the State Pool.

Funding Policy:

In accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland, employer contribution rates and the actuarial accrued liability are established by annual actuarial valuations using the entry age normal cost method and other actuarial assumptions adopted by the Board of Trustees. Effective July 1, 1980, in accordance with the law governing the Systems, all benefits of the System are funded in advance. The entry age normal cost method is the actuarial cost method used to determine the employers' fixed percentage of their regular salaries and wages, 7% or 5% depending on the retirement plan selected. Under the 2011 Pension Reforms, members of the Pension System are required to contribute to the System 7% of their regular salaries and wages. Members of the Pension System who are employed by a participating government that does not provide enhanced pension benefits are required to contribute to the System 5% of the regular salaries and wages that exceed the Social Security wage base. State Police members are required to contribute 8% of their regular salaries and wages to the System. Members of the Law Enforcement Officers Pension System are required to contribute 6% of earnable compensation for fiscal year 2012 and 7% thereafter. All contributions are deducted from each member's salary, and the resulting payments are remitted to the System on a regular and periodic basis.

The contribution requirements of the System members, as well as the State and participating governmental employers, are established and may be amended by the General Assembly of the State of Maryland. Effective July 1, 2002, State law provides that the contribution rates may be more or less than the actuarially determined rates for the Employees' Retirement and Pension Systems and the Teachers' Retirement and Pension Systems. Contributions to these Systems are based on the Modified Corridor Funding Method which establishes a budgetary contribution rate. This method effectively maintains the contribution rate in effect for the Teacher's and Employees' combined systems during the preceding fiscal year (as adjusted for any legislative changes in benefit structure) as long as such systems remain between 90 percent and 110 percent funded. If either system falls below 90 percent funded (i.e. below the corridor), then the contribution rate in effect for the subsequent fiscal year will be the rate in effect for the preceding fiscal year plus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. Conversely, if either system exceeds 110 percent funded (i.e., above the corridor), then the contribution rate in effect or the subsequent fiscal year will be the rate in effect for the preceding fiscal year minus 20 percent of the difference between the current fiscal year full funding rate and the prior fiscal year contribution rate. The methodology for computing the State's employer contribution rates for the Law Enforcement Officers' Pension System, State Police Retirement System and the Judges' Retirement System remain unchanged. For each of these three systems, the employer contribution rate is equal to the sum of the normal contribution and the accrued liability contribution rates.

During fiscal year 2012, for the State Pool, the State paid $1,394,232,000, of the required contribution totaling $2,033,837,000, which was 15.0% of covered payroll and 68.6% of the required payment. The difference represents and additional pension cost liability in the government-wide statement of net assets. The State makes non-employer contributions to the System for local school system teachers. The covered payroll amount includes amounts for employees for whom the State pays retirement benefits, but does not pay the payroll. As of June 30, 2012, the State's membership includes 167,512, active members, 44,625, vested former members, and 117,567, retirees and beneficiaries.

Annual Pension Cost and Net pension Obligation for the System (State Pool):

The annual pension cost and net pension obligation as of June 30, 2012, were as follows (amounts expressed in thousands).

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	State Police Retirement System	Judges' Retirement System	Law Enforcement Officers' Pension System
Annual required contribtion	$ 1,288,884	$ 609,814	$ 54,452	$ 24,077	$ 41,868
Interest on net pension obligation	55,903	78,186	3,288		
Actuarial adjustment to annual required contribtion	(52,136)	(68,021)	(2,478)		
Annual pension cost	1,292,651	619,979	55,262	24,077	41,868
Contributions made	917,564	363,440	47,283	24,077	41,868
Increase in net pension obligation	375,087	256,539	7,979		
Net pension obligation, beginning of year	721,331	1,008,846	42,425		
Net pension obligation, end of year	$ 1,096,418	$ 1,265,385	$ 50,404	$ -	$ -
Amortization period (years rolling)	20.7	23.2	30.0	18.6	17.2

Three year historical trend information for the System (State Pool) was as follows (amounts expressed in thousands).

Plan	Annual Pension Cost As of June 30 2012	2011	2010
Teachers' Retirement and Pension System	$ 1,292,651	$ 1,227,519	$ 891,346
Employees' Retirement and Pension System	619,979	571,261	446,361
State Police Retirement System	55,262	51,967	37,558
Judges' Retirement System	24,077	23,854	19,955
Law Enforecement Officers' Pension System	41,868	39,514	32,359

Plan	Percentage of Annual Pension Cost Contributed As of June 30 2012	2011	2010
Teachers' Retirement and Pension System	71%	75%	92%
Employees' Retirement and Pension System	59	62	70
State Police Retirement System	86	88	68
Judges' Retirement System	100	100	100
Law Enforecement Officers' Pension System	100	100	100

Plan	Net Pension Obligation As of June 30 2012	2011	2010
Teachers' Retirement and Pension System	$ 1,096,418	$ 721,331	$ 431,125
Employees' Retirement and Pension System	1,265,385	1,008,846	788,381
State Police Retirement System	50,404	42,425	35,373
Judges' Retirement System			
Law Enforecement Officers' Pension System			

The funded status of each plan for both the State and Municipal Pools, as of June 30, 2012, the most recent valuation date, is as follows (amounts expressed in thousands).

Plan	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded ALL) /Excess of Assets over AAL	Funded Ratio	Covered Payroll	(Unfunded AAL) /Excess as a Percentage of Covered Payroll
State Pool						
Teachers' Retirement and Pension System	$ 22,523,977	$ 34,252,715	$ (11,728,738)	65.76%	$ 6,080,604	(193)%
Employees' Retirement and Pension System	9,664,964	16,413,568	(6,748,604)	58.88	3,001,198	(225)
State Police Retirement System	1,134,511	1,826,546	(692,035)	62.11	77,690	(891)
Judges' Retirement System	330,154	421,286	(91,132)	78.37	39,955	(228)
Law Enforecement Officers' Pension System	435,858	792,962	(357,104)	54.97	83,672	(427)
Total State Pool	$ 34,089,464	$ 53,707,077	$ (19,617,613)	63.47%	$ 9,283,119	(211)%
Municipal Pool						
Employees' Retirement and Pension System	$ 3,002,627	$ 3,869,460	$ (866,833)	77.60%	$ 997,276	(87)%
Law Enforecemtn Officers' Pension System	144,969	277,125	(132,156)	52.31	51,514	(257)
Correctional Officers' Retirement System	11,341	15,483	(4,142)	73.24	4,628	(90)
Total Municipal Pool	$ 3,158,937	$ 4,162,068	$ (1,003,131)	75.90%	$ 1,053,418	(95)%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the State Pool's plan assets is increasing or decreasing over time relative to the AAL for benefits. The schedule of Funding Progress also discloses the relationship between the System's covered payroll (i.e., all elements included in compensation paid to active members on which contributions are based) and the unfunded actuarial accrued liability. This relationship, expressed as a ratio, is a measure of the significance of the unfunded AAL relative to the capacity to pay all contributions required to fund the liability.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2012, the most recent valuation date.

Valuation method	Individual Entry Age Normal Cost Method
Cost method of valuing assets	Five-year smoothed market (maximum 120% and minimum 80% of market value)
Rate of return on investments	7.75%
Projected payroll growth including wage inflation at 3.5%	3.5% - 12.0%
Discount rate	7.75%
Postretirement benefit increase	2.75% - 3.50% for service prior to July 1, 2011 1.70% - 3.50% for service after June 30, 2011 (depending on system and provisions)
Amortization method	Level Percentage of Payroll
Remaining amortization period	8 years as of June 30, 2012 for prior UAAL (existing on June 30, 2000)
New layers as of June 30, 2001 – 2012	14 – 25 years as of June 30, 2012 for new UAAL. 30 years is used wherever the equivalent single amortization period exceeds 30 years.
Status of period (Open or Closed)	Closed

During fiscal year 2012, there were no changes in actuarial assumptions or benefit provisions that significantly affected the valuation of the annual pension cost and net pension obligation as of June 30, 2012. However, as discussed in the "Plan Description" and "Funding Policy" sections, significant pension reforms have been adopted effective as of July 1, 2011. As a result of these pension reforms the calculation for the State's total actuarial accrued liability was reduced approximately $433,000,000, as of July 1, 2011.

Maryland Transit Administration Pension Plan (Plan):

The Plan is a single employer non-contributory plan, which covers all Maryland Transit Administration (Administration) employees covered by a collective bargaining agreement and all those management employees who were employed by the Baltimore Transit Company. In addition, employees who enter the management group as a result of a transfer from a position covered by a collective bargaining agreement maintain their participation. The Maryland Transit Administration was given authority to establish and maintain the Plan under Transportation Article, Section 7-206(b)2(ii), of the Annotated Code of Maryland. The Plan is administered and funded in compliance with the collective bargaining agreements. The Plan prepares separately audited financial statements, which can be obtained from the Maryland Transit Administration Pension Plan, William Donald Schaefer Tower, 8 Saint Paul Street, Baltimore, Maryland 21202.

Plan Description:

The Plan provides retirement, normal and early, death and disability benefits. Members may retire with full benefits at age 65 with five years of credited service or age 52 with 30 years of credited service. The annual normal retirement benefit is 1.4% - 1.6% (1.3% prior to September 8, 2002) of final average compensation multiplied by credited service, with minimum and maximum benefit limitations. Participants are fully vested after five years of credited service.

As of June 30, 2012, membership in the Plan includes 2,899 active members, 456 vested former members, and 1,568 retirees and beneficiaries. There were no investments in, loans to, or leases with parties related to the Plan. There were no Plan investments representing 5 percent or more of total Plan assets. For the year ended June 30, 2012, the Administration's covered and total payroll was $152,276,000.

Funding Policy:

The Administration's required contributions are based on actuarial valuations. The entry age normal cost method is the actuarial cost method used to determine the employer's contribution rates and the actuarial accrued liability. All administrative costs of the Plan are paid by the Plan.

Employer contributions to the Plan totaling $37,859,000, (24.9% of covered payroll) for fiscal year 2012 were made in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of June 30, 2011. This amount consisted of $5,246,000, normal cost and $32,613,000, amortization of the actuarial accrued liability (3.4% and 21.4%, respectively, of covered payroll). The liquidation period for the actuarial accrued liabilities, as provided by law, is 7 years from June 30, 2012.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the annual pension cost and net pension obligations. The computation of the annual required contribution for fiscal year 2012 was based on the same actuarial assumptions, benefit provisions, actuarial funding method and other significant factors used to determine pension contribution requirements in the previous year.

Annual Pension Cost and Net Pension Obligation:

The Administration's annual pension cost and net pension obligation as of June 30, 2012, are as follows (amounts expressed in thousands).

Annual required contribution (ARC)	$ 34,582
Interest on net pension obligation	(1,723)
Annual pension cost	32,859
Contributions made	37,859
Increase in net pension obligation (asset)	(5,000)
Net pension obligation (asset), beginning of year	(17,679)
Net pension obligation (asset), end of year	$(22,679)
Amortization period	12.9 years

Three year historical trend information for the Plan is as follows (amounts expressed in thousands).

Fiscal Years Ending,	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation (Asset)
6/30/2012	$32,859	115%	$(22,679)
6/30/2011	33,928	140	(17,679)
6/30/2010	26,151	144	(9,079)

Funded Status and Funding progress:

As of June 30, 2012, the most recent actuarial valuation date, the plan was 44.4% funded. The actuarial accrued liability for benefits was $451,288,000, and the actuarial value of assets was $200,260,000, resulting in an unfunded actuarial accrued liability (UAAL) of $251,028,000. The covered payroll (annual payroll of active employees covered by the plan) was $152,276,000, and the ratio of the UAAL to the covered payroll was (164.9%). The net pension asset of $22,679,000 is included in prepaid items in the governmental activities column of the government-wide statement of net assets.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multilayer trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The significant actuarial assumptions listed below were used in the actuarial valuation as of June 30, 2012, the most recent valuation date.

Valuation method	Entry Age Normal, Level Dollar
Cost method of valuing assets	Five year open period smoothing (Market Value vs. Expected Actuarial Value)
Rate of return on investments	7.75%
Inflation Rate	3.5%
Rate of salary increase	3.5% - 9.5%
Postretirement benefit increase	Preceding Year Consumer Price Index, capped at 3%
Amortization method	Level dollar (years depend on type of base)
Remaining amortization period	12.9 years weighted average
Status of period (Open or Closed)	Closed

During fiscal year 2012, there were no changes in actuarial assumptions or benefit provisions from 2011 that significantly affected the valuation of the annual pension cost and net pension obligation. No significant changes in these assumptions are planned in the near term.

Deferred Compensation Plan (Plan):

The State offers its employees a deferred compensation plan (Plan) created in accordance with Internal Revenue code Sections 457, 403(b), 401(a) and 401(k). The Plan, available to eligible State employees, permits participants to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. State law provides that the Governor appoint the nine member Board of Trustees of the State's Supplemental Retirement Systems. The Board is responsible for the implementation, maintenance and administration of the Plan.

The State of Maryland Match Plan and Trust was established by the State on July 1, 1999. The plan is designed to be a tax-qualified 401(a) defined contribution matching plan under Internal Revenue Code section 401(a). Under plan provision, the State contributes to each participant's account an amount equal to each participant's contributions to the State's Supplemental Retirement Plan during the same plan year. By statute, the maximum amount contributed to this plan for each participant is $600 for each State fiscal year. An employee's interest in his/her account is fully vested at all times. The match program continues to be established and funded in statute. During the year ended December 31, 2011, the State suspended the match contribution. For the plan year ended December 31, 2011, the State contributed $400,000 to the 401(a) plan and participants contributed $65,686,000, $2,883,000, and $90,335,000, to the 457, 403(b), and 401(k) plans, respectively.

16. Other Postemployment Benefits, Health Benefits (OPEB):

State Employee and Retiree Health and Welfare Benefits Program:

Plan Description:

The State Employee and Retiree Health and Welfare Benefits Program (Plan) is a single-employer defined benefit healthcare plan established by State Personnel and Pensions Article, Sections 2-501 – 2-516, of the Annotated Code of Maryland. The Plan is self-insured to provide medial, hospitalization, prescription drug and dental insurance benefits to eligible state employees, retirees and their dependents. State law grants authority to establish and amend benefit provisions to the Secretary of the Department of Budget and Management (DBM). In addition, the Secretary shall specify by regulation the types or categories of State employees who are eligible to enroll, with or without State subsidies, or who are not eligible to enroll.

The Postretirement Health Benefits Trust Fund (OPEB Trust) is established as an irrevocable trust under Section 34-101 of the State Personnel and Pensions Article to receive appropriated funds and contributions which will be used to assist the Plan in financing the State's postretirement health insurance subsidy. The OPEB Trust is administered by the Board of Trustees for the State Retirement and Pension System. A separate audited GAAP-basis postemployment benefit plan report is not available for the defined benefit healthcare plan.

Funding Policy:

The contribution requirements of Plan members and the State are established by the Secretary. Each year the Secretary recommends to the Governor the State's share of the costs of the Plan. Beginning in fiscal year 2008, State law requires DBM to transfer any subsidy received as Medicare Prescription Drug Improvement and Modernization Act of 2003 or similar subsidy to the OPEB Trust to prefund costs of retirees' health benefits. Also, funds may be separately appropriated in the State's budget for transfer to the OPEB Trust. Applicable administrative expenses are payable from the OPEB Trust, but may not exceed $100,000 annually. The 2009 Budget Reconciliation and Financing Act redirects the subsidy to the Plan for fiscal years 2010 – 2012.

Generally, a retiree may enroll and participate in the health benefit options if the retiree retired directly from State service with at least five years of creditable service, ended State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin, or ended State service with at least 16 years of creditable service. For members hired on or after July 1, 2011, they are required to complete at least 25 years of creditable service, retire directly from State service with at least ten years of creditable service, or end State service with at least ten years of creditable service and within five years before the age at which a vested retirement allowance normally would begin. As of July 1, 2012, the State's Plan membership includes 78,164, active employees, 4,194, vested former employees, and 64,354, retirees and beneficiaries. Based on current practice, the State subsidizes approximately 50% to 85% of retiree premiums to cover medical, dental, prescription and hospitalization costs, depending on the type of insurance plan. The Plan assesses a charge to retirees for post-employment health care benefits, which his based on health care insurance charges for active employees. For the fiscal year ended June 30, 2012, retiree plan members contributed $83,232,000, or approximately 17.9% of total retiree premiums, and the State contributed $385,913,000. During fiscal year 2012, the State did not transfer any of the Federal Medicare drug subsidy to the OPEB Trust to prefund future OPEB costs or contribute additional funds to the Trust.

Annual OPEB Cost and Net OPEB Obligation:

The State's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the State's annual OPEB cost, the amount actually contributed to the Plan and the State's net OPEB obligation as of June 30, 2012 (amounts expressed in thousands).

Annual required contribution (ARC)	$ 704,382
ARC Adjustment	(123,182)
Interest on net OPEB obligation beginning of year	137,544
Total Annual OPEB Cost (AOC)	718,744
Less: Contributions made	385,913
Increase in net OPEB obligation	332,831
Net OPEB obligation – beginning of year	3,198,691
Net OPEB obligation – end of year	$3,531,522
Percentage of annual OPEB cost contributed	53.7%

Three year historical trend information for the Plan is as follows (amounts expressed in thousands).

Fiscal Years Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2012	$ 718,744	53.7%	$3,531,522
6/30/2011	1,235,033	29.9	3,198,691
6/30/2010	1,190,780	28.3	2,332,502

Funded Status:

As of June 30, 2012, the most recent actuarial valuation date, the OPEB Trust was 2.1% funded. The actuarial accrued liability for benefits was $9,580,069,000, and the actuarial value of assets was $208,772,000, resulting in an unfunded actuarial accrued liability (UAAL) of $9,371,297,000. The ratio of the actuarial value of assets to the actuarial accrued liability was 2.1%. The covered payroll (annual payroll of active employees covered under the Plan) was $4,144,267,000, and the ratio of the UAAL to the covered payroll was (226.1%).

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2012.

Actuarial cost method	Entry Age Normal (percent of pay)
Asset valuation method	Five-year smoothed market.
Rate of return on investments	4.25%
Inflation rate	3.50%
Aggregate salary growth	3.50%
Method to determine blended rate	4.25% represents an unblended pay-go rate.
Healthcare cost trend rate	Medical: Under 65 – 7.50% graded to 5.00% over 7 years Over 65 – 7.00% graded to 5.00% over 6 years Prescription drug: 6.50% graded to 5.00% over 5 years Dental: 5.50% graded to 5.00% over 2 years
Amortization method	Level percentage of projected payroll
Amortization period	30 years (open)

Beginning with fiscal year 2012, the explicit prescription premium subsidy for retirees was reduced from 80% to 75%, and State provided post-Medicare prescription coverage will be eliminated in 2020.

Maryland Transit Administration Retiree Healthcare Benefit:

The Maryland Transit Administration Retiree Healthcare Benefit (MTA OPEB) provides retiree health care benefits under a collective bargaining agreement to all employees who are members of the MTA pension plan, except transfers from union to management positions who are required to enroll in the State Employee and Retiree Health and Welfare Benefits Program. The MTA currently funds retirees' health care on a pay-as-you-go basis. The MTA does not currently have a separate fund set aside to pay health care costs.

Plan Description:

The MTA OPEB provides medical, hospitalization, prescription drug, dental and vision insurance benefits to eligible MTA employees, retirees and their dependents. Members are eligible at age 65 with five years of service or age 52 with 30 years of service provided the member is enrolled in an MTA health plan at normal retirement. Members are also eligible at age 55 if the sum of the participant's age plus years of actual credited service equals at least 85 and the participant is enrolled in an MTA health plan at early retirement. A separate audited GAAP-basis postemployment benefit plan report is not available for the healthcare plan.

As of June 30, 2012, 2,899, active employees and 1,568, retirees and beneficiaries were covered by healthcare insurance provided by MTA.

Funding Policy:

Based on current practice, MTA subsidizes approximately 50% to 100% of retiree healthcare premiums depending on the type of insurance plan and whether the retiree receives Medicare. Retirees make the same contribution as active employees, however Medicare is handled separately.

Annual OPEB Cost and Net OPEB Obligation:

MTA's annual OPEB cost is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The following table shows the components of MTA's annual OPEB cost, the amount actually contributed and MTA's net OPEB obligation as of June 30, 2012 (amounts expressed in thousands).

Annual required contribution (ARC)	$ 55,852
ARC Adjustment	(9,589)
Interest on net OPEB obligation beginning of year	5,948
Total Annual OPEB Cost (AOC)	52,211
Less: Contributions made	15,103
Increase in net OPEB obligation	37,108
Net OPEB obligation – beginning of year	132,177
Net OPEB obligation – end of year	$169,285
Percentage of annual OPEB cost contributed	28.9%

Three year historical trend information for the MTA OPEB is as follows (amounts expressed in thousands).

Fiscal Years Ended,	AOC	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2012	$52,211	28.9%	$169,285
6/30/2011	50,554	28.2	132,177
6/30/2010	42,353	26.0	95,853

Funded Status:

MTA OPEB is unfunded. As of June 30, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was $527,679,000. The covered payroll (annual payroll of active employees participating in MTA health plans) was $147,474,000, and the ratio of the AAL to the covered payroll was (357.8%).

Actuarial Methods and Assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-

term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

The accompanying schedules of funding progress and employer contributions following the footnotes present information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits and amounts contributed to the plan.

The actuarial method and significant assumptions listed below were used in the actuarial valuation as of June 30, 2011.

Actuarial cost method	Entry Age Normal, Level Dollar
Asset valuation method	N/A
Rate of return on investments	4.50% This rate represents the long-term expected rate of return on MTA's general fund assets
Inflation rate	3.50%
Aggregate salary growth	3.50%
Healthcare cost trend rate	Medical and Prescription: 6.40% in 2011, 6.40% in 2012 and increasing to 8.00% in 2013 Dental and Vision: 5.0% for all future years
Amortization method	Level annual payments over a fixed number of years
Amortization period	23 years as of June 30, 2011 (closed)

17. Commitments:

Encumbrances for specific purposes for which resources already have been reported as restricted or committed on the governmental funds balance sheet are $155,372,000, in the general fund and $504,760,000, in other governmental funds as of June 30, 2012.

The State's governmental funds lease office space under various agreements that are accounted for as operating leases. Many of the agreements contain rent escalation clauses and renewal options. These leases contain termination for convenience clauses providing for cancellation after a certain number of days notice to lessors. In addition, these leases contain appropriation clauses indicating that continuation of the lease is subject to appropriation by the legislature. Rent expenditures for the year ended June 30, 2012, were approximately $64,866,000.

As of June 30, 2012, the governmental funds, other than the Department of Transportation, had commitments of approximately $58,260,000, for service contracts.

As of June 30, 2012, the Department of Transportation and Maryland Transportation Authority had commitments of approximately $2.8 billion and $950,298,000, respectively, for construction of highway and mass transit facilities.

Approximately 40% of future expenditures related to the Department of Transportation commitments are expected to be reimbursed from proceeds of approved Federal grants when the actual costs are incurred. The remaining portion will be funded by other financial resources of the Department of Transportation.

The Department of Transportation, as lessor, leases space at various marine terminals, airport facilities and office space pursuant to various noncancelable operating leases with scheduled rent increases. Minimum future rental revenues are as follows (amounts expressed in thousands).

Years Ending June 30,	Amounts
2013	$ 124,171
2014	124,017
2015	123,850
2016	118,920
2017	118,142
2018-2022	394,156
Total	$1,003,256

The cost and accumulated depreciation of the assets as of June 30, 2012, were $2,248,923,000, and $720,390,000.

Total minimum future rental revenues do not include contingent rentals that may be received under certain concession leases on the basis of a percentage of the concessionaire's gross revenue in excess of stipulated minimums. Rental revenue was approximately $167,690,000, for the year ended June 30, 2012.

As of June 30, 2012, the Maryland State Lottery Agency had commitments of approximately $517,560,000, for services to be rendered relating principally to the operation of, and advertising for, the lottery games and the operation of the video lottery terminal program.

As of June 30, 2012, the enterprise fund loan programs had committed to lend a total of $397,516,000, in additional loans. The Community Development Administration, also and enterprise fund loan program, has $308,340,000, of revenue bonds outstanding that are not included in the financial statements of the Administration because the bonds are not guaranteed by the State or any other program of the State or any political subdivision. The revenue bonds are secured solely by the individual multi-family project properties, related revenues, applicable credit enhancements or investments equal to the debt outstanding.

As of June 30, 2012, the higher education fund had commitments of approximately $422,587,000, for the completion of projects under construction.

18. Contingencies:

The State is party to legal proceedings that normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material, adverse impact on the financial position of the State as a whole.

As of June 30, 2012, economic development loan programs were contingently liable to financial institutions for $7,395,000, for the repayment of loans for small businesses. Non-major enterprise funds were contingently liable as insurers of $172,665,000, of $1,376,941,000, mortgage loans made by public and private lenders. Non-major component units were contingently liable as insurers of $15,724,000, of $547,952,000, economic development and growth bonds issued by financial institutions.

As of June 30, 2012, there were approved economic development bonds pending settlement which were insured by non-major component units for $5,299,000.

The State receives significant financial assistance from the U.S. Government. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the fund which received the grant. As of June 30, 2012, the State estimates that no material liabilities will result from such audits.

19. Tobacco Settlement:

Legislation enacted by the 1999 General Assembly established the Cigarette Restitution Fund for all revenues received from any judgment against or settlement with the tobacco industry. Expenditures from the fund are made by an appropriation in the annual State budget. The law provides that at least 50% of the appropriations shall be made for tobacco or health related purposes and the remaining appropriations may be for any public purpose. During the 2002 legislative session, legislation was enacted providing that for each of fiscal years 2003 through 2006, at least 25% of the appropriations shall be made for the Maryland Medical Assistance Program (Medicaid); the 2005 legislative session increased that percentage to 30% for each year for which appropriation are made. During the 2003 legislative session, legislation was enacted requiring that 0.15% of the fund be appropriated for enforcing the escrow requirements for nonparticipating tobacco product manufacturers. Transfers of $148,960,000, were made from the proceeds in the Cigarette Restitution fund for fiscal year 2012 expenditure of appropriations.

As part of the Master Settlement Agreement between the states and the tobacco companies, Maryland's share during fiscal year 2012 was $151,131,000, including the award from the arbitration panel for attorney fees. This amount does not include $17,491,000, the tobacco companies paid to the disputed account pending the outcome of litigation.

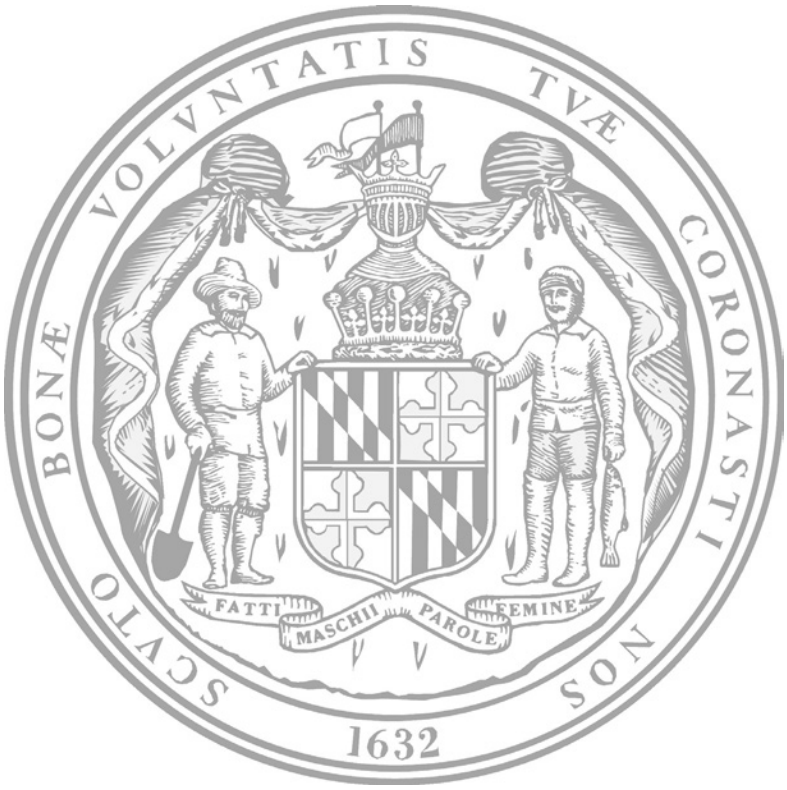
It is estimated that the payments made to the State pursuant to the Master Settlement through fiscal year 2017 will total $2.81 billion of which $149,873,000, was paid to outside counsel. The actual amount paid each year, however, will reflect adjustments for inflation and cigarette shipment volume. In addition, the State expects to receive $92,309,000, during that same period pursuant to an award for attorney fees by the national arbitration panel.

20. Landfill Closure:

State and Federal laws require that the Maryland Environmental Service (the Service) to cover and to perform certain maintenance and monitoring functions at Midshore Regional Landfill I, Easton Landfill, Midshore II and Hobbs Road Landfill sites. Although closure and postclosure care costs will be paid near or after the date the landfills stop accepting waste, the Service reports a portion of these closure and postclosure care costs as a liability based upon the estimated useful life of the landfills. Midshore I's current cells are approximately 93% filled as of June 30, 2012. The landfill stopped accepting waste on December 31, 2010. Total closure and postclosure care costs for the landfill are currently estimated to be $11,026,000, as determined through engineering studies, and $8,943,000, has been recognized as a liability on the June 30, 2012, Combining Statement of Net Assets, Non-Major Component Units. Midshore II's current cells which are expected to close in 2030 are approximately 5% filled as of June 30, 2012. Total closure and postclosure care costs for the landfill are currently estimated to be $17,257,000, as determined through engineering studies, and $703,000, has been recognized as a liability as of June 30, 2012. Actual costs may be subject to change due to inflation, deflation, technology, and changes in applicable laws and regulations.

A receivable from project participants corresponding to the accrued liability has also been recorded.

Under Federal regulations, the Service has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2011. The Service expects to satisfy these requirements as of June 30, 2012, using the same criteria.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Required

SUPPLEMENTARY

Information

STATE OF MARYLAND

Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal Funds

For the Year Ended June 30, 2012

(Expressed in Thousands)

	General Fund			
	Budget Amounts			Variance
	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
Revenues:				
Income taxes	$ 7,310,551	$ 7,578,192	$ 7,761,154	$ 182,962
Sales and use taxes	4,164,055	3,979,527	4,039,348	59,821
Other taxes	1,092,484	1,081,247	1,091,821	10,574
Licenses and fees	184,009	198,097	204,677	6,580
Charges for services	309,701	308,650	293,628	(15,022)
Interest and other investment income	70,000	30,000	25,438	(4,562)
Other	779,249	799,380	668,390	(130,990)
Federal revenue				
Total revenues	13,910,049	13,975,093	14,084,456	109,363
Expenditures and encumbrances by major function:				
Payments of revenue to civil divisions of the State	110,927	119,747	119,747	
Legislative	87,703	88,121	74,075	14,046
Judicial review and legal	494,402	499,769	486,766	13,003
Executive and administrative control	251,531	255,002	248,823	6,179
Financial and revenue administration	199,513	203,800	199,663	4,137
Budget and management	75,786	47,723	43,912	3,811
General services	55,395	56,954	55,616	1,338
Natural resources and recreation	43,538	45,641	45,008	633
Agriculture	26,871	30,386	28,888	1,498
Health, hospitals and mental hygiene	4,021,045	3,950,504	3,941,663	8,841
Human resources	565,469	605,730	604,416	1,314
Labor, licensing and regulation	35,001	35,438	34,765	673
Public safety and correctional services	1,064,314	1,083,040	1,082,788	252
Public education	7,236,459	7,415,083	7,386,943	28,140
Housing and community development	4,259	4,849	4,836	13
Business and economic development	92,507	93,680	75,439	18,241
Environment	33,702	33,864	32,610	1,254
Juvenile services	259,822	271,536	268,899	2,637
State police	186,767	192,688	192,687	1
State reserve fund	15,000	15,000	15,000	
Reversions	(30,000)	(30,000)		(30,000)
Total expenditures and encumbrances	14,830,011	15,018,555	14,942,544	76,011
Excess of revenues over (under) expenditures	(919,962)	(1,043,462)	(858,088)	185,374
Other sources (uses) of financial resources:				
Transfers in (out)			457,053	457,053
Excess of revenues over (under) expenditures and other sources (uses) of financial resources	(919,962)	(1,043,462)	(401,035)	642,427
Fund balances - beginning of the year	(5,223,534)	(4,775,153)	1,698,233	6,473,386
Fund balances - end of the year	$ (6,143,496)	$ (5,818,615)	$ 1,297,198	$ 7,115,813

See accompanying Notes to Required Supplementary Information.

Special Fund				Federal Fund			
Budget Amounts			Variance	Budget Amounts			Variance
Original Budget	Final Budget	Actual Amounts	Positive (Negative)	Original Budget	Final Budget	Actual Amounts	Positive (Negative)
$ 171,803	$ 215,920	$ 235,806	$ 19,886				
40,655	40,467	37,220	(3,247)				
2,241,878	2,501,150	2,487,600	(13,550)				
646,486	803,545	818,670	15,125				
1,774,897	2,072,267	2,016,515	(55,752)				
4,000	8,700	12,651	3,951			$ 355	$ 355
1,482,222	930,908	805,139	(125,769)				
				$ 9,341,051	$ 9,533,961	8,964,477	(569,484)
6,361,941	6,572,957	6,413,601	(159,356)	9,341,051	9,533,961	8,964,832	(569,129)
871,203	871,203	866,712	4,491	11,060	11,498	11,498	
100	100		100				
97,141	100,623	81,349	19,274	6,539	9,974	7,371	2,603
273,222	274,686	242,132	32,554	227,018	312,020	224,050	87,970
222,605	258,204	182,166	76,038				
46,073	37,048	17,896	19,152	52,767	48,006	46,156	1,850
33,703	33,874	29,608	4,266				
2,298	3,312	3,063	249	1,052	1,052	1,052	
2,572,778	2,679,433	2,538,970	140,463	915,132	964,669	921,433	43,236
161,933	151,218	108,017	43,201	39,711	41,225	28,401	12,824
29,219	52,364	44,507	7,857	4,151	5,131	4,342	789
1,151,921	1,268,386	1,164,976	103,410	4,570,426	4,505,618	4,412,185	93,433
94,728	116,728	109,786	6,942	1,965,122	1,955,198	1,737,050	218,148
94,251	95,075	56,717	38,358	178,181	193,751	172,465	21,286
142,139	150,051	142,366	7,685	38,181	41,002	33,474	7,528
333,232	231,422	219,989	11,433	1,448,526	1,490,438	1,109,314	381,124
85,803	91,509	44,622	46,887	341,794	393,994	318,816	75,178
76,861	79,993	25,085	54,908	1,800	7,678	3,471	4,207
514,817	515,124	76,003	439,121	167,247	167,440	106,226	61,214
704	4,904	4,285	619	10,571	14,589	10,327	4,262
90,068	89,408	81,145	8,263	2,199	11,104	6,705	4,399
6,894,799	7,104,665	6,039,394	1,065,271	9,981,477	10,174,387	9,154,336	1,020,051
(532,858)	(531,708)	374,207	905,915	(640,426)	(640,426)	(189,504)	450,922
		(284,184)	(284,184)			189,504	189,504
(532,858)	(531,708)	90,023	621,731	(640,426)	(640,426)		640,426
(3,826,469)	(3,682,689)	1,545,421	5,228,110	(2,709,185)	(2,709,178)		2,709,178
$ (4,359,327)	$ (4,214,397)	$ 1,635,444	$ 5,849,841	$ (3,349,611)	$ (3,349,604)	$ -	$ 3,349,604

STATE OF MARYLAND
Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund, Fund Balances
June 30, 2012
(Expressed in Thousands)

	General	Special
Amount in budgetary funds, fund balance (page 106 and 107)	$ 1,297,198	$ 1,635,444
Budgetary special funds reclassified to the general fund	702,907	(702,907)
Budgetary special funds reclassified to other funds		(737,596)
Other non-budgetary funds reclassified to governmental funds	359,393	560
Total of budgetary fund balances reclassified into the governmental funds' fund structure	2,359,498	195,501
Accounting principle differences:		
Assets recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Cash	(296,158)	
Investments	17,549	
Taxes receivable	28,260	1,885
Intergovernmental receivables	173,320	
Other accounts receivable	67,712	
Prepaid items	(246,332)	
Inventories	28,317	86,494
Loans and notes receivable	14	
Due from other funds	37,193	14,102
Liabilities recognized in the governmental funds financial statements not recognized for budgetary purposes:		
Salaries payable	(68,318)	
Accounts payable and accrued liabilities	(305,240)	
Due to other funds	(566,777)	
Accounts payable to political subdivisions	(9,621)	
Deferred revenue	(49,605)	(70,802)
Accrued self insurance costs	(92,710)	
Financial statement governmental funds' fund balances, June 30, 2012 (page 28)	$ 1,077,102	$ 227,180

See accompanying Notes to Required Supplementary Information.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for Maryland Pension and Retirement System
(Expressed in Thousands)

Actuarial Valuation Date June 30,	Acturial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	(Unfunded AAL) /Exess of Assets over AAL	Funded Ratio	Covered Payroll(1)	(Unfunded AAL) /Excess as a Percentage of Covered Payroll(2)
			TEACHERS RETIREMENT AND PENSION SYSTEM			
2012	$ 22,523,977	$ 34,252,715	$ (11,728,738)	65.76%	$ 6,080,604	(192.89)%
2011	21,868,875	32,985,145	(11,116,270)	66.30	6,196,976	(179.38)
2010	20,908,150	31,963,421	(11,055,271)	65.41	6,411,550	(172.43)
2009	20,605,618	31,172,917	(10,567,299)	66.10	6,411,550	(164.82)
2008	23,784,404	29,868,705	(6,084,301)	79.63	6,117,591	(99.46)
2007	22,814,759	28,122,575	(5,307,816)	81.13	5,709,765	(92.96)
			STATE EMPLOYEES RETIREMENT AND PENSION SYSTEM			
2012	$ 9,664,964	$ 16,413,568	$ (6,748,604)	58.88%	$ 3,001,198	(224.86)%
2011	9,508,670	16,009,640	(6,500,970)	59.39	3,019,160	(215.32)
2010	9,224,784	15,451,890	(6,227,106)	59.70	3,163,684	(196.83)
2009	9,230,381	15,080,783	(5,850,402)	61.21	3,250,809	(179.97)
2008	10,699,418	14,337,460	(3,638,042)	74.63	3,110,640	(116.95)
2007	10,332,264	13,363,507	(3,031,243)	77.32	3,022,476	(100.29)
			STATE POLICE RETIREMENT SYSTEM			
2012	$ 1,134,511	$ 1,826,546	$ (692,035)	62.11%	$ 77,690	(890.76)%
2011	1,090,383	1,759,676	(669,293)	61.96	75,551	(885.88)
2010	1,085,281	1,722,564	(637,283)	63.00	83,123	(766.67)
2009	1,119,776	1,710,356	(590,580)	65.47	87,070	(678.28)
2008	1,343,208	1,601,575	(258,367)	83.87	86,464	(298.81)
2007	1,334,375	1,516,935	(182,560)	87.97	83,191	(219.45)
			JUDGES RETIREMENT SYSTEM			
2012	$ 330,154	$ 421,286	$ (91,132)	78.37%	$ 39,955	(228.09)%
2011	293,801	433,239	(139,438)	67.81	38,810	(359.28)
2010	276,643	426,215	(149,572)	64.91	40,654	(367.91)
2009	270,870	421,039	(150,169)	64.33	40,965	(366.58)
2008	306,716	406,482	(100,066)	75.40	37,943	(263.73)
2007	293,052	371,987	(78,935)	78.78	37,638	(209.72)
			STATE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM			
2012	$ 435,858	$ 792,962	$ (357,104)	54.97%	$ 83,672	(426.79)%
2011	401,371	746,750	(345,379)	53.75	84,032	(411.01)
2010	367,934	715,568	(347,634)	51.42	89,227	(389.61)
2009	354,707	684,424	(329,717)	51.83	89,571	(368.11)
2008	389,793	611,367	(221,574)	63.76	85,814	(258.20)
2007	354,364	593,308	(238,944)	59.73	82,079	(291.11)
			TOTAL OF ALL PLANS			
2012	$ 34,089,464	$ 53,707,077	$ (19,617,613)	63.47%	$ 9,283,119	(211.33)%
2011	33,163,100	51,934,450	(18,771,350)	63.86	9,414,529	(199.39)
2010	31,862,792	50,279,658	(18,416,866)	63.37	9,788,238	(188.15)
2009	31,581,342	49,069,519	(17,488,167)	64.36	9,879,965	(177.01)
2008	36,523,539	46,825,889	(10,302,350)	78.00	9,438,452	(109.15)
2007	35,128,814	43,968,312	(8,839,498)	79.90	8,935,149	(98.93)

(1) Covered payroll includes the payroll cost of those participants for which the State pays the retirement contribution but does not pay the participants' payroll cost.

(2) (Unfunded AAL)/excess assets over Aal as a percentage of covered payroll.

STATE OF MARYLAND
Required Supplemental Schedule of Funding Progress for Maryland Transit Administration Pension Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2012	$ 200,260	$ 451,288	$ (251,028)	44.38 %	$ 152,276	(164.85) %
2011	182,918	433,637	(250,719)	42.18	147,474	(170.01)
2010	162,756	426,041	(263,285)	38.20	145,029	(181.54)

Required Supplemental Schedule of Funding Progress for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2012	$ 208,772	$ 9,580,069	$ (9,371,297)	2.1%	$ 4,144,267	(226.1) %
2011	196,295	9,732,430	(9,536,135)	2.0	4,633,653	(205.8)
2010	183,388	16,098,602	(15,915,214)	1.1	4,627,379	(343.9)

Required Supplemental Schedule of Employer Contributions and Other Contributing Entities for Other Post-Employment Benefits Plan

(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Percentage Contributed: Employer Contributions (a)	Percentage Contributed: Other Contributing Entities (b)	Percentage Contributed: Total
2012	$ 704,382	53.7%	- %	53.7%
2011	1,225,206	29.9	-	29.9
2010	1,184,522	25.8	2.5	28.3

Required Supplemental Schedule of Funding Progress for Maryland Transit Administration Retiree Healthcare Benefit

(Expressed in Thousands)

Actuarial Valuation Date June 30,	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
2011	$ -	$ 527,679	$ (527,679)	- %	$ 147,474	(357.8)%
2009	-	431,500	(431,500)	-	151,560	(284.7)
2007	-	411,400	(411,400)	-	144,775	(284.2)

Required Supplemental Schedule of Employer Contributions for Maryland Transit Administration Retiree Healthcare Benefit

(Expressed in Thousands)

Year Ended June 30,	Annual Required Contribution	Actual Contribution Entry Age	Percentage Contributed
2012	$ 55,852	$ 15,103	27.0%
2011	53,015	14,230	26.8
2010	45,500	10,900	24.0

(a) Employer contributions include pre-funding and pay-as-you-go contributions (net of retiree premiums).

(b) Other contributing entities consists of the Federal medicare drug subsidy contributed to the OPEB Trust.

STATE OF MARYLAND

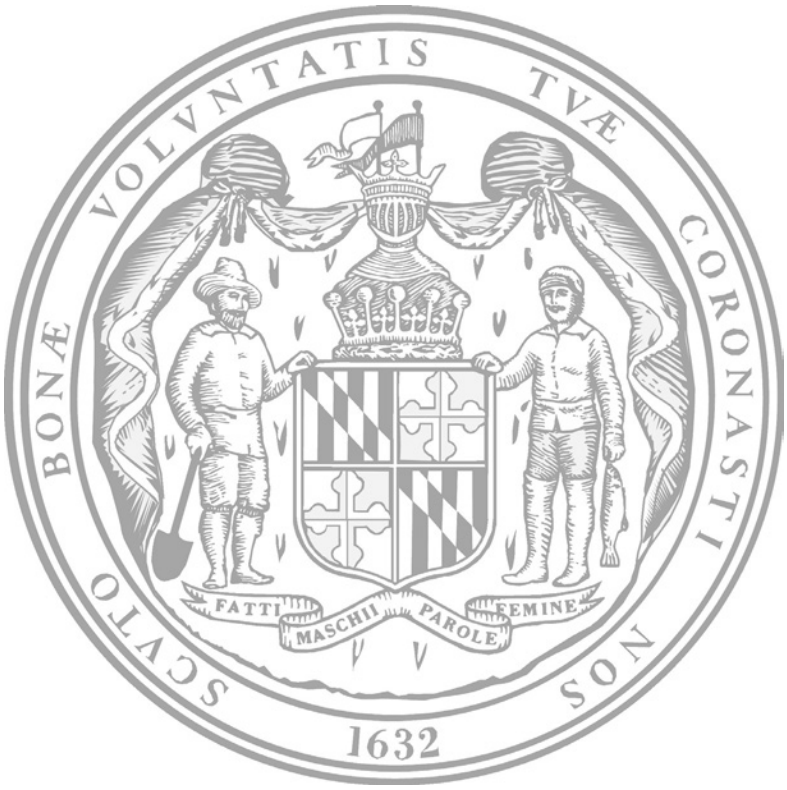
Notes to Required Supplementary Information
For the Year Ended June 30, 2012

1. Budgeting and Budgetary Control:

The Maryland Constitution requires the Governor to submit to the General Assembly an annual balanced budget for the following fiscal year. This budget is prepared and adopted for the General Fund, which includes all transactions of the State, unless otherwise directed to be included in another fund and the Special Fund, which includes the transportation activities of the State, fishery and wildlife funds, shared taxes and payments of debt service on general obligation bonds. In contrast, the GAAP special revenue fund includes on the operations (other than debt service and pension activities) of the Maryland Department of Transportation. The budgetary Federal fund revenue and expenditures are included in the GAAP General and Special Funds as federal revenues and expenditures by function. An annual budget is also prepared for the Federal Fund, which accounts for substantially all grants from the Federal government, and the current unrestricted and restricted funds of the Universities and Colleges. In addition, to the annual budget, the General Assembly adopts authorizations for the issuance of general obligation bonds. The expenditures of the resources obtained thereby are accounted for in the capital projects fund.

All State budgetary expenditures for the general, special and federal funds are made pursuant to appropriations in the annual budget, as amended from time to time, by budget amendments. The legal level of budgetary control is at the program level of the general, special and federal funds. State governmental departments and independent agencies may, with the Governor's approval, amend the appropriations by program within the budgetary general fund, provided they do not exceed their total general fund appropriations as contained within the annual budget. Increases in total general fund appropriations must be approved by the General Assembly. For the fiscal year ended June 30, 2012, the General Assembly approved a net increase in General Fund appropriations of $191,691,000. Appropriations for programs funded by in whole or in part from the special or federal funds may permit expenditures in excess of original special or federal fund appropriations to the extent that actual revenues exceed original budget estimates and such additional expenditures are approved by the Governor. Unexpended appropriations from the general fund may be carried over to succeeding years to the extent of encumbrances, with all other appropriations form the general fund fiscal year. Unexpended appropriations from special and federal funds may be carried over to the extent of (a) available resources, and (b) encumbrances. The State's accounting system is maintained by the Comptroller in compliance with State Law and in accordance with the State's Budgetary Funds. It controls expenditures at the program level to ensure legal compliance. The "Agency Appropriation Unencumbered Balance Report," which is available for public inspection at the Office of the Comptroller, provides a more comprehensive accounting of activity on the basis of budgeting at the legal level of budgetary control.

The original and amended budget adopted by the General Assembly for the general, special and federal funds is presented in the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balances. Budget and Actual for the year ended June 30, 2012. The State's budgetary fund structure and the basis of budgeting, which is the modified accrual basis with certain exceptions, differs from that utilized to present financial statements in conformity with generally accepted accounting principles. The budgetary system's principal departures from the modified accrual basis are the classification of the State's budgetary funds and the timing of recognition of certain revenues and expenditures. A summary of the effects of the fund structure differences and exceptions to the modified accrual basis of accounting, as of June 30, 2012, is provided in the "Reconciliation of the Budgetary General and Special Fund, Fund Balances to the GAAP General and Special Revenue Fund Balances" immediately following the budgetary schedule.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Combining

FINANCIAL

Statements

STATE OF MARYLAND

Non-major Governmental Funds

Debt Service Funds

General Obligation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on general long-term debt obligations are accounted for in the general obligation bonds debt service fund.

Transportation Bonds, Debt Service Fund: Transactions related to resources obtained and used for the payment of interest and principal on transportation long-term debt obligations are accounted for in the transportation bonds debt service fund.

Capital Projects Fund

Transactions related to resources obtained and used for the acquisition, construction or improvement of certain capital facilities, including those provided to political subdivisions and other public organizations are accounted for in the capital projects fund. Such resources are derived principally from proceeds of general obligation bond issues. Federal grants and operating transfers from the State's general fund. The State enters into long-term contracts for construction of major capital projects and records the related commitments as encumbrances.

STATE OF MARYLAND
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2012
(Expressed in Thousands)

	Debt Service Funds			Total
	General Obligation Bonds	Transportation Bonds	Capital Projects Fund	Non-major Governmental Funds
Assets:				
Equity in pooled invested cash			$ 11,919	$ 11,919
Investments			239,738	239,738
Intergovernmental receivables			1,298	1,298
Other accounts receivables			5	5
Restricted Assets:				
Cash with fiscal agent	$ 24,001			24,001
Equity in pooled invested cash	192,262			192,262
Investments	2,802			2,802
Taxes receivable, net	6,328			6,328
Other accounts receivable	486			486
Loans and notes receivable, net	2,377			2,377
Total assets	$ 228,256	$ -	$ 252,960	$ 481,216
Liabilities:				
Vouchers payable			$ 67,477	$ 67,477
Accounts payable and accrued liabilities			39,224	39,224
Due to other funds			17,867	17,867
Accounts payable to political subdivisions			55,048	55,048
Total liabilities			179,616	179,616
Fund balances:				
Restricted	$ 228,256			228,256
Committed			504,760	504,760
Unassigned			(431,416)	(431,416)
Total fund balance	228,256		73,344	301,600
Total liabilities and fund balances	$ 228,256	$ -	$ 252,960	$ 481,216

STATE OF MARYLAND
Combining Statement of Revenues, Expenditures, Other Sources and Uses of Financial Resources and Changes in Fund Balances
Non-major Governmental Funds
For The Year Ended June 30, 2012
(Expressed in Thousands)

	Debt Service Funds			Total
	General Obligation Bonds	Transportation Bonds	Capital Projects Fund	Non-major Governmental Funds
Revenues:				
Property Taxes	$ 754,011			$ 754,011
Charges for services	39			39
Interest and other investment income	930		$ 465	1,395
Federal revenue	11,498			11,498
Other	355	$ 1,854		2,209
Total revenues	766,833	1,854	465	769,152
Expenditures:				
Education			309,854	309,854
Aid to higher education			289,097	289,097
Intergovernmental grants and revenue sharing			297,822	297,822
Capital Outlays			43,350	43,350
Debt Service:				
Principal retirement	542,179	102,845		645,024
Interest	328,340	71,370		399,710
Bond isssuance costs			3,576	3,576
Total expenditures	870,519	174,215	943,699	1,988,433
Deficiency of revenues under expenditures	(103,686)	(172,361)	(943,234)	(1,219,281)
Other sources (uses) of financial resources				
Bonds issued		19	1,112,401	1,112,420
Refunding bonds issued			393,295	393,295
Bond premium	129,737		72,718	202,455
Payments to refunded bond escrow agent			(461,809)	(461,809)
Transfers in	1,708	172,342	76,290	250,340
Transfers out			(191,510)	(191,510)
Total other sources of financial resources	131,445	172,361	1,001,385	1,305,191
Net changes in fund balances	27,759		58,151	85,910
Fund balances, beginning of year	200,497		15,193	215,690
Fund balances, end of year	$ 228,256	$ -	$ 73,344	$ 301,600

STATE OF MARYLAND

Non-major Enterprise Funds

Transactions related to commercial types of activities operated by the State are accounted for in the enterprise funds. The non-major enterprise funds consist of the economic development insurance programs of the Department of Housing and Community Development and Maryland Correctional Enterprises, which utilized inmate labor from State correctional institutions to manufacture goods, wares and merchandise to be sold to State agencies, political subdivisions and charitable, civic, educational, fraternal or religious associations or institutions.

STATE OF MARYLAND

Combining Statement of Net Assets
Non-major Enterprise Funds
June 30, 2012

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Assets -			
Current assets:			
Equity in pooled invested cash	$ 2,588	$ 13,219	$ 15,807
Other accounts receivable		5,693	5,693
Inventories		10,740	10,740
Loans and notes receivable, net	150		150
Other assets	7,081	90	7,171
Restricted equity in pooled invested cash	87,968		87,968
Total current assets	97,787	29,742	127,529
Non-current assets:			
Investments	2,019		2,019
Loans and notes receivable, net	267		267
Capital assets, net of accumulated depreciation			
Structures and improvements		2,821	2,821
Equipment		4,917	4,917
Infrastructure		36	36
Total non-current assets	2,286	7,774	10,060
Total assets	100,073	37,516	137,589
Liabilities-			
Current liabilities:			
Accounts payable and accrued liabilities	662	1,538	2,200
Accrued insurance on loan losses	13,303		13,303
Other liabilities	375	860	1,235
Unearned revenue	1,491	632	2,123
Total current liabilities	15,831	3,030	18,861
Non-current liabilities:			
Other liabilities	2,180	568	2,748
Total non-current liabilities	2,180	568	2,748
Total liabilities	18,011	3,598	21,609
Net Assets-			
Invested in capital assets, net of related debt		7,774	7,774
Restricted for insurance programs	87,054		87,054
Unrestricted (deficit)	(4,992)	26,144	21,152
Total net assets	$ 82,062	$ 33,918	$ 115,980

STATE OF MARYLAND

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-major Enterprise Funds
For the Year Ended June 30, 2012

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Operating revenues:			
Charges for services and sales	$ 3,953	$ 53,026	$ 56,979
Unrestricted interest on loan income	532		532
Other	3,467		3,467
Total operating revenues	7,952	53,026	60,978
Operating expenses:			
Cost of sales and services		41,601	41,601
General and administrative	4,689	7,672	12,361
Depreciation and amortization		1,363	1,363
Total operating expenses	4,689	50,636	55,325
Operating income (loss)	3,263	2,390	5,653
Non-operating revenues (expenses):			
Restricted investment income	1,069		1,069
Other		(118)	(118)
Total non-operating reveues (expenses)	1,069	(118)	951
Income (loss) before transfers	4,332	2,272	6,604
Transfers out	(2,051)	(325)	(2,376)
Changes in net assets	2,281	1,947	4,228
Total net assets - beginning of the year	79,781	31,971	111,752
Total net assets - end of the year	$ 82,062	$ 33,918	$ 115,980

STATE OF MARYLAND

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended June 30, 2012

(Expressed in Thousands)

	Economic Development Insurance Programs	Maryland Correctional Enterprises	Total Non-Major Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	$ 3,195	$ 55,281	$ 58,476
Payments to suppliers		(36,713)	(36,713)
Payments to employees	(4,581)	(14,981)	(19,562)
Other receipts	2,039		2,039
Other payments	(15,420)	(79)	(15,499)
Net cash from operating activities	(14,767)	3,508	(11,259)
Cash flows from noncapital financing activities:			
Transfers out	(2,051)	(325)	(2,376)
Net cash from noncapital financing activities	(2,051)	(325)	(2,376)
Cash flows from capital and related financing activites:			
Proceeds from sale of capital assets		3	3
Acquisition of capital assets		(777)	(777)
Net cash from capital and related financing activities:		(774)	(774)
Cash flows from investing activities:			
Interest on investments	1,069		1,069
Net cash from investing activities	1,069		1,069
Net change in cash and cash equivalents	(15,749)	2,409	(13,340)
Balance - beginning of the year, as restated	106,305	10,810	117,115
Balance - end of the year	$ 90,556	$ 13,219	$ 103,775
Reconciliation of operating income to net cash from operating activities:			
Operating income (loss)	$ 3,263	$ 2,390	$ 5,653
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization		1,363	1,363
Effects of changes in non-cash operating assets and liabilities:			
Other accounts receivable		3,145	3,145
Inventories		(1,576)	(1,576)
Loans and notes receivable	35		35
Other assets	(7,374)	(12)	(7,386)
Accounts payable and accrued liabilities	580	(856)	(276)
Accrued insurance and loan losses	(10,981)		(10,981)
Unearned revenue	(756)	(970)	(1,726)
Other liabilities	466	24	490
Net cash from operating activities	$ (14,767)	$ 3,508	$ (11,259)

STATE OF MARYLAND

Fiduciary Funds

The Pension and Other Employee Benefits Trust Funds include the Maryland State Retirement and Pension System, the Maryland Transit Administration Pension Plan, and the Deferred Compensation Plan. The Trust Funds reflect the transactions, assets, liabilities and fund equities of the plans administered by the State and the Maryland Transit Administration and are accounted for using the flow of economic resources measurement focus. The Deferred Compensation Plan, which is included with a year end of December 31, accounts for participant earnings deferred in accordance with Internal Revenue code Sections 457, 403(b), 401(a) and 401(k). Amounts deferred are invested and are not subject to federal income taxes until paid to participants upon termination or retirement from employment, death or for an unforeseeable emergency.

The agency funds are custodial in nature and do not present the results of operations or have a measurement focus. The State uses agency funds to account for the receipt and disbursement of patient and prisoner accounts, various taxes collected by the State for distribution to the Federal government and political subdivisions and amounts withheld from employee's payroll.

STATE OF MARYLAND

Combining Statement of Fiduciary Net Assets
Pension and Other Employee Benefits Trust Funds
June 30, 2012

(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan December 31, 2011	Total
Assets:				
Cash	$ 2,171,007	$ 7,949	$ 9,568	$ 2,188,524
Investments:				
U.S. Treasury and agency obligations	1,942,678	14,247		1,956,925
Bonds	3,736,543	18,139		3,754,682
Corporate equity securities	13,057,441	71,205		13,128,646
Mortgage related securities	2,491,766	10,984		2,502,750
Mutual funds	7,261,648		1,589,324	8,850,972
Guaranteed investment contracts			784,209	784,209
Real estate	1,517,146	22		1,517,168
Annuity contracts			99,964	99,964
Private equity	2,107,611			2,107,611
Alternative investments		42,395		42,395
Investments held by borrowers under securities lent with cash collateral	3,478,596			3,478,596
Total investments	35,593,429	156,992	2,473,497	38,223,918
Other receivables	1,040,559	9,201	32,229	1,081,989
Collateral for lent securities	3,452,109			3,452,109
Total assets	42,257,104	174,142	2,515,294	44,946,540
Liabilities:				
Accounts payable and accrued liabilities	1,626,269	2,493		1,628,762
Collateral obligation for lent securities	3,452,109			3,452,109
Total liabilities	5,078,378	2,493		5,080,871
Net assets:				
Held in trust for :				
Pension benefits	37,178,726	171,649		37,350,375
Deferred compensation benefits			2,515,294	2,515,294
Total net assets	$ 37,178,726	$ 171,649	$ 2,515,294	$ 39,865,669

STATE OF MARYLAND
Combining Statement of Changes in Plan Net Assets
Pension and Other Employee Benefits Trust Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Maryland State Retirement and Pension System	Maryland Transit Administration Pension Plan	Deferred Compensation Plan December 31, 2011	Total
Additions:				
Contributions:				
Employers	$ 700,070	$ 32,859	$ 400	$ 733,329
Members	703,256		158,904	862,160
Sponsors	895,691			895,691
Total contributions	2,299,017	32,859	159,304	2,491,180
Investment earnings:				
Net appreciation (depreciation) in fair value of investments	(1,098,048)	(3,704)	(41,296)	(1,143,048)
Interest	396,988	5,921	25,309	428,218
Dividends	1,041,358			1,041,358
Real estate operating net earnings	5,274			5,274
Total investment income	345,572	2,217	(15,987)	331,802
Less: investment expense	241,489			241,489
Net investment income	104,083	2,217	(15,987)	90,313
Total additions	2,403,100	35,076	143,317	2,581,493
Deductions:				
Benefit payments	2,755,106	28,638	180,843	2,964,587
Refunds	33,819			33,819
Administrative expenses	28,201	943	4,189	33,333
Total deductions	2,817,126	29,581	185,032	3,031,739
Changes in net assets	(414,026)	5,495	(41,715)	(450,246)
Net assets held in trust for pension and other employee benefits:				
Begininning of the year	37,592,752	166,154	2,557,009	40,315,915
End of the year	$ 37,178,726	$ 171,649	$ 2,515,294	$ 39,865,669

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Assets
Maryland State Retirement and Pension System
June 30, 2012
(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Assets:								
Cash	$ 1,317,342	$ 687,581	$ 35,186	$ 96,838	$ 34,060	$ 2,171,007		$ 2,171,007
Investments, at fair value	21,582,862	12,111,444	299,194	1,047,913	552,016	35,593,429		35,593,429
Other receivables	586,967	397,131	8,681	31,524	16,256	1,040,559		1,040,559
Due from other systems		84			25	109	$ (109)	
Collateral for lent securities	2,090,874	1,176,766	29,063	101,900	53,506	3,452,109		3,452,109
Total assets	25,578,045	14,373,006	372,124	1,278,175	655,863	42,257,213	(109)	42,257,104
Liabilities:								
Accounts payable and accrued liabilities	985,558	553,968	13,739	48,890	24,114	1,626,269		1,626,269
Due to other system	80	29				109	(109)	
Collateral obligation for lent securities…	2,090,874	1,176,766	29,063	101,901	53,505	3,452,109		3,452,109
Total liabilities	3,076,512	1,730,763	42,802	150,791	77,619	5,078,487	(109)	5,078,378
Net Assets:								
Held in trust for pension benefits	$ 22,501,533	$ 12,642,243	$ 329,322	$ 1,127,384	$ 578,244	$ 37,178,726	$ -	$ 37,178,726

* Intersystem due from /due to have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Assets
Maryland State Retirement and Pension System
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System	Judges' Retirement System	State Police Retirement System	Law Enforcement Officers' Pension System	Subtotal	Eliminations*	Total
Additions:								
Contributions:								
Employers	$ 21,874	$ 476,212	$ 45,537	$ 96,123	$ 60,324	$ 700,070		$ 700,070
Members	428,727	258,243	1,818	6,234	8,234	703,256		703,256
Sponsors	895,691					895,691		895,691
Total contributions	1,346,292	734,455	47,355	102,357	68,558	2,299,017		2,299,017
Investment earnings:								
Net increase (decrease) in fair value of investments	(673,094)	(380,251)	(5,746)	(25,771)	(13,186)	(1,098,048)		(1,098,048)
Interest	240,247	135,690	3,275	11,812	5,964	396,988		396,988
Dividends	630,802	355,809	8,490	30,910	15,347	1,041,358		1,041,358
Real estate operating net earnings	3,192	1,803	44	158	77	5,274		5,274
Total investment income	201,147	113,051	6,063	17,109	8,202	345,572		345,572
Less: investment expense	146,165	82,530	1,996	7,201	3,597	241,489		241,489
Net investment income	54,982	30,521	4,067	9,908	4,605	104,083		104,083
Transfers from other systems		127		37	93	257	$ (257)	-
Total additions	1,401,274	765,103	51,422	112,302	73,256	2,403,357	(257)	2,403,100
Deductions:								
Benefit payments	1,631,469	956,051	25,020	100,977	41,589	2,755,106		2,755,106
Refunds	17,751	15,560		280	228	33,819		33,819
Administrative expenses	15,210	12,400	41	189	361	28,201		28,201
Transfers to other systems	257					257	(257)	-
Total deductions	1,664,687	984,011	25,061	101,446	42,178	2,817,383	(257)	2,817,126
Changes in net assets	(263,413)	(218,908)	26,361	10,856	31,078	(414,026)		(414,026)
Net assets held in trust for pension benefits:								
Begininning of the year	22,764,946	12,861,151	302,961	1,116,528	547,166	37,592,752		37,592,752
End of the year	$ 22,501,533	$ 12,642,243	$ 329,322	$ 1,127,384	$ 578,244	$ 37,178,726	$ -	$ 37,178,726

*Intersystem transfers have been eliminated in the financial statements.

STATE OF MARYLAND
Combining Schedule of Fiduciary Net Assets
Deferred Compensation Plan
December 31,2011
(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Assets:					
Cash	$ 9,568				$ 9,568
Investments, at fair value	1,187,567	$ 1,082,958	$ 139,053	$ 63,919	2,473,497
Other receivables	14,795	16,970		464	32,229
Total assets	1,211,930	1,099,928	139,053	64,383	2,515,294
Net Assets:					
Held in trust for deferred compensation benefits	$ 1,211,930	$ 1,099,928	$ 139,053	$ 64,383	$ 2,515,294

STATE OF MARYLAND
Combining Schedule of Changes in Plan Net Assets
Deferred Compensation Plan
For the Year Ended December 31,2011
(Expressed in Thousands)

	Deferred Compensation Plan Section 457	Savings and Investment Plan Section 401(k) Plan	Match Plan and Trust 401(a) Plan	Tax Sheltered Annuity Plan 403(b) Plan	Total
Additions:					
Contributions:					
Employers			$ 400		$ 400
Members	$ 65,686	$ 90,335		$ 2,883	158,904
Total contributions	65,686	90,335	400	2,883	159,304
Investment earnings:					
Net increase (decrease) in fair value of investments	(18,599)	(18,825)	(2,336)	(1,536)	(41,296)
Interest	16,076	8,073	927	233	25,309
Net investment income	(2,523)	(10,752)	(1,409)	(1,303)	(15,987)
Total additions	63,163	79,583	(1,009)	1,580	143,317
Deductions:					
Benefit payments	93,873	75,309	7,188	4,473	180,843
Administrative expenses	1,314	2,461	276	138	4,189
Total deductions	95,187	77,770	7,464	4,611	185,032
Changes in net assets	(32,024)	1,813	(8,473)	(3,031)	(41,715)
Net assets held in trust for pension and other employee benefits					
Begininning of the year	1,243,954	1,098,115	147,526	67,414	2,557,009
End of the year	$ 1,211,930	$ 1,099,928	$ 139,053	$ 64,383	$ 2,515,294

STATE OF MARYLAND
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2012
(Expressed in Thousands)

	Agency Funds					
	Local Income Taxes	Insurance Premium Taxes	Local Transportation Funds and Other Taxes	Payroll Taxes and Fringe Benefits	Litigant, Patient and Prisoner Accounts	Total Agency Funds
Assets:						
Cash		$ 10	$ 16,210		$ 38,746	$ 54,966
Equity in pooled invested cash	$ 709,133	88,871	15,656	$ 606	5,007	819,273
Taxes receivable, net	128,997					128,997
Intergovernmental receivables	2,483			88		2,571
Accounts receivable from state treasury	550,000					550,000
Total assets	$ 1,390,613	$ 88,881	$ 31,866	$ 694	$ 43,753	$ 1,555,807
Liabilities:						
Accounts payable and accrued liabilities		$ 88,881	$ 3,385	$ 694	$ 40,490	$ 133,450
Accounts payable to political subdivisions	$ 1,390,613		28,481		3,263	1,422,357
Total liabilities	$ 1,390,613	$ 88,881	$ 31,866	$ 694	$ 43,753	$ 1,555,807

STATE OF MARYLAND
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Litigant, Patient and Prisoner Accounts				
Assets:				
Cash	$ 74,442	$ 65,940	$ 101,636	$ 38,746
Equity in pooled invested cash	5,004	19,094	19,091	5,007
Total assets	$ 79,446	$ 85,034	$ 120,727	$ 43,753
Liabilities:				
Accounts payable and accrued liabilities	$ 77,197	$ 83,763	$ 120,470	$ 40,490
Accounts payable to political subdivisions	2,249	1,271	257	3,263
Total liabilities	$ 79,446	$ 85,034	$ 120,727	$ 43,753
Insurance Premium Taxes				
Assets:				
Cash	$ 10			$ 10
Equity in pooled invested cash	83,072	$ 39,541	$ 33,742	88,871
Total assets	$ 83,082	$ 39,541	$ 33,742	$ 88,881
Liabilities:				
Accounts payable and accrued liabilities	$ 83,082	$ 39,541	$ 33,742	$ 88,881
Local Income Taxes				
Assets:				
Equity in pooled invested cash	$ 503,492	$ 4,667,549	$ 4,461,908	$ 709,133
Taxes receivable	93,879	128,997	93,879	128,997
Intergovernmental receivables	371,744		369,261	2,483
Accounts receivable from state treasury	550,000			550,000
Total assets	$ 1,519,115	$ 4,796,546	$ 4,925,048	$ 1,390,613
Liabilities:				
Accounts payable to political subdivisions	$ 1,519,115	$ 4,796,546	$ 4,925,048	$ 1,390,613
Loal Transportation Funds and Other Taxes				
Assets:				
Cash	$ 43,041	$	26,831	$ 16,210
Equity in pooled invested cash	13,775	$ 126,264	124,383	15,656
Total assets	$ 56,816	$ 126,264	$ 151,214	$ 31,866
Liabilities:				
Accounts payable and accrued liabilities	$ 3,764	$ 3,385	$ 3,764	$ 3,385
Accounts payable to political subdivisions	53,052	122,879	147,450	28,481
Total liabilities	$ 56,816	$ 126,264	$ 151,214	$ 31,866
Payroll Taxes and Fringe Benefits				
Assets:				
Equity in pooled invested cash	$ 639	$ 1,557,442	$ 1,557,475	$ 606
Intergovernmental receivables	94	88	94	88
Total assets	$ 733	$ 1,557,530	$ 1,557,569	$ 694
Liabilities:				
Accounts payable and accrued liabilities	$ 733	$ 1,557,530	$ 1,557,569	$ 694
Totals - All Agency Funds				
Assets:				
Cash	$ 117,493	$ 65,940	$ 128,467	$ 54,966
Equity in pooled invested cash	605,982	6,409,890	6,196,599	819,273
Taxes receivable	93,879	128,997	93,879	128,997
Intergovernmental receivables	371,838	88	369,355	2,571
Accounts receivable from state treasury	550,000			550,000
Total assets	$ 1,739,192	$ 6,604,915	$ 6,788,300	$ 1,555,807
Liabilities:				
Accounts payable and accrued liabilities	$ 164,776	$ 1,684,219	$ 1,715,545	$ 133,450
Accounts payable to political subdivisions	1,574,416	4,920,696	5,072,755	1,422,357
Total liabilities	$ 1,739,192	$ 6,604,915	$ 6,788,300	$ 1,555,807

STATE OF MARYLAND

Non-major Component Unit Financial Statements

Non-major Component Units

Non-major component units are comprised of the following proprietary fund type entities.

Maryland Environmental Service

The Maryland Environmental Service was created as a body corporate and politic. The Service helps private industry and local governments manage liquid, solid and hazardous wastes. In accordance with direction from the Governor, the Service plans and establishes major resource recovery facilities, solid waste management plans and hazardous waste management programs.

Maryland Industrial Development Financing Authority

The Maryland Industrial Development Financing Authority was established as a body corporate and politic and a public instrumentality of the State to provide financial assistance to enterprises seeking to locate or expand operations in Maryland.

Maryland Food Center Authority

The Maryland Food Center Authority is a body corporate and politic which was created to establish and operate a consolidated wholesale food center within the Greater Baltimore Region and is subject to State regulations.

Maryland Technology Development Corporation

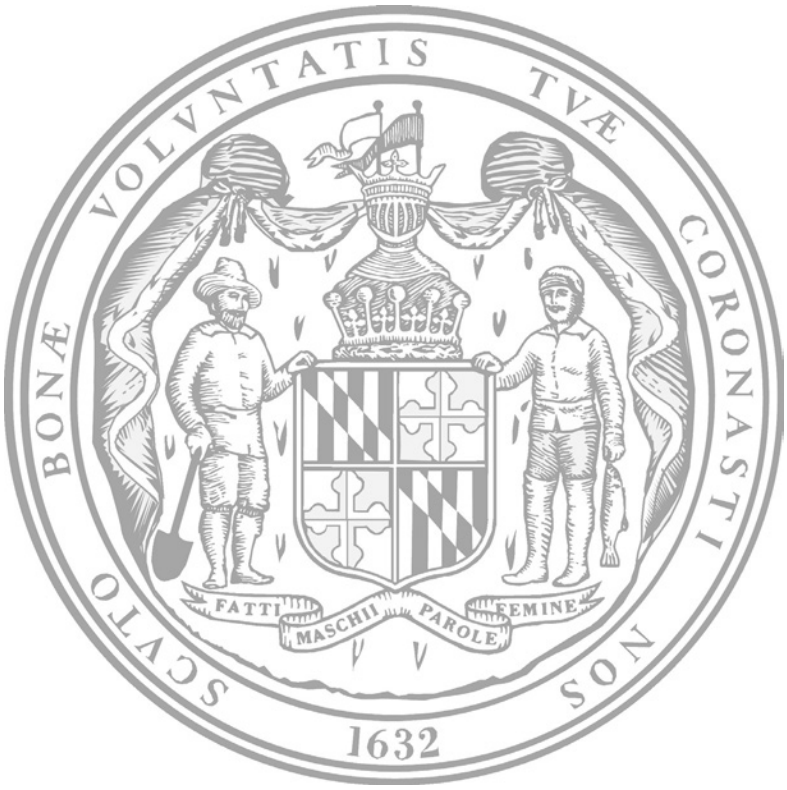
The Maryland Technology Development Corporation was established as a body corporate and politic and a public instrumentality of the State to assist in the commercialization of technology developed in the universities and the private sector. The Corporation administers the Maryland Technology Incubator Program and the Maryland Stem Cell Research Fund.

STATE OF MARYLAND
Combining Statement of Net Assets
Non-major Component Units
June 30, 2012
(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Assets:					
Cash	$ 35,010		$ 11	$ 13,652	$ 48,673
Equity in pooled invested cash		$ 41,157	3,242		44,399
Investments	9,187			6,571	15,758
Other accounts receivable	13,804		112	442	14,358
Loans and notes receivable, net			280	982	1,262
Investments in direct financing leases	10				10
Other assets	6,555		3	78	6,636
Restricted assets:					
Cash	399				399
Investments	2,359				2,359
Capital assets, net of accumulated depreciation:					
Land	2,913		5,103		8,016
Structures and improvements	27,260		15,641		42,901
Infrastructure	424				424
Equipment	6,650		775	29	7,454
Construction in progress			859		859
Total assets	104,571	41,157	26,026	21,754	193,508
Liabilities:					
Accounts payable and accrued liabilities	10,695		348	13,527	24,570
Unearned revenue		188	53	1,332	1,573
Accrued insurance on loan losses		4,076			4,076
Other liabilities			228		228
Bonds and notes payable:					
Due within one year	747				747
Due in more than one year	19,721				19,721
Other noncurrent liabilities:					
Due within one year	27,440		79		27,519
Due in more than one year	19,671		51		19,722
Total liabilities	78,274	4,264	759	14,859	98,156
Net Assets:					
Invested in capital assets, net of related debt	9,354		22,378	28	31,760
Restricted for capital improvements and deposits	11	85		155	251
Unrestricted	16,932	36,808	2,889	6,712	63,341
Total net assets	$ 26,297	$ 36,893	$ 25,267	$ 6,895	$ 95,352

STATE OF MARYLAND
Combining Statement of Activities
Non-major Component Units
For the Year Ended June 30, 2012
(Expressed in Thousands)

	Maryland Environmental Service	Maryland Industrial Development Financing Authority	Maryland Food Center Authority	Maryland Technology Development Corporation	Total Non-major Component Units
Expenses:					
General and administrative	$ 12,279	$ 2,333	$ 2,039	$ 1,101	$ 17,752
Operation and maintenance of facilities	92,880		1,484		94,364
Provision for insurance on loan losses, net…		3,406			3,406
Interest on long-term debt	1,389				1,389
Depreciation and amortization	2,754		802	10	3,566
Other	403		9	15,993	16,405
Total expenses	109,705	5,739	4,334	17,104	136,882
Program revenues:					
Charges for services and sales	110,520	484	4,615	1,140	116,759
Total charges for services	110,520	484	4,615	1,140	116,759
Operating grants and contributions	1,680	2,618		17,441	21,739
Total program revenues	112,200	3,102	4,615	18,581	138,498
Net program revenue (expense)	2,495	(2,637)	281	1,477	1,616
General revenues:					
Unrestricted investment income	10	449	39	290	788
Total general revenues	10	449	39	290	788
Change in net assets	2,505	(2,188)	320	1,767	2,404
Net assets - beginning of the year	23,792	39,081	24,947	5,128	92,948
Net assets - end of the year	$ 26,297	$ 36,893	$ 25,267	$ 6,895	$ 95,352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STATISTICAL

Section

Statistical Section

This part of the State's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State's economic condition.

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Debt Capacity
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Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place 152

Operating Information
These schedules contain service data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs 155

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATE OF MARYLAND
Net Assets by Component, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:										
Invested in capital assets, net of related debt	$ 13,771,338	$ 13,669,573	$ 13,796,006	$ 14,381,207	$ 14,267,201	$13,853,102	$13,405,751	$12,940,305	$ 11,937,207	$ 11,943,249
Restricted*	229,448	200,791	154,372	126,583	87,879	88,808	149,621	145,607	114,327	75,478
Unrestricted (deficit)	(10,023,466)	(8,238,126)	(6,664,836)	(5,152,460)	(2,273,983)	(559,318)	140,553	(668,169)	(1,046,233)	(1,239,572)
Total governmental activities net assets	$3,977,320	$5,632,238	$7,285,542	$9,355,330	$12,081,097	$13,382,592	$13,695,925	$12,417,743	$11,005,301	$10,779,155
Business-type activities:										
Invested in capital assets, net of related debt	$ 2,314,382	$ 2,117,369	$ 1,554,706	$ 1,368,562	$ 1,685,176	$ 1,613,891	$ 1,303,668	$ 1,217,923	$ 1,331,400	$ 1,231,338
Restricted	2,219,474	2,002,872	2,281,572	2,321,225	2,421,939	1,835,767	1,901,771	1,828,027	1,556,170	1,518,996
Unrestricted	1,855,353	1,602,600	1,453,631	1,498,587	1,250,324	1,725,338	1,670,224	1,450,868	1,197,542	1,208,954
Total business-type activities net assets	$6,389,209	$5,722,841	$5,289,909	$5,188,374	$5,357,439	$5,174,996	$4,875,663	$4,496,818	$4,085,112	$3,959,288
Primary government:										
Invested in capital assets, net of related debt	$ 16,085,720	$ 15,786,942	$ 15,350,712	$ 15,749,769	$ 15,952,377	$ 15,466,993	$ 14,709,419	$ 14,158,228	$ 13,268,607	$ 13,174,587
Restricted	2,448,922	2,203,663	2,435,944	2,447,808	2,509,818	1,924,575	2,051,392	1,973,634	1,670,497	1,594,474
Unrestricted (deficit)	(8,168,113)	(6,635,526)	(5,211,205)	(3,653,873)	(1,023,659)	1,166,020	1,810,777	782,699	151,309	(30,618)
Total primary government net assets	$10,366,529	$11,355,079	$12,575,451	$14,543,704	$17,438,536	$18,557,588	$18,571,588	$16,914,561	$15,090,413	$14,738,443

*Information for fiscal years prior to fiscal year end June 30, 2006 , has been restated to reflect reclassifications of certain restricted and unrestricted balances.

STATE OF MARYLAND
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Expressed in Thousands)

	Year ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities (1):										
Expenses	$ 31,045,539	$ 31,067,223	$ 29,909,914	$ 28,467,897	$ 26,793,866	$ 24,691,358	$ 22,326,398	$ 21,203,763	$ 20,382,202	$ 19,588,410
Program revenues	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822	7,221,988
Net (expense)/revenue, governmental activities	(18,689,388)	(18,064,667)	(17,702,208)	(18,290,873)	(18,124,715)	(16,021,793)	(14,252,487)	(13,255,261)	(12,440,380)	(12,366,422)
General revenues and other changes, governmental activities	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202	11,651,824
Change in net assets, governmental activities	(1,654,918)	(1,653,304)	(2,069,788)	(2,547,899)	(1,301,495)	(313,333)	1,278,182	1,412,442	151,822	(714,598)
Net assets, beginning	5,632,238	7,285,542	9,355,330	12,081,097	13,382,592	13,695,925	12,417,743	11,005,301	10,779,155	11,493,753
Restatement (2)				(177,868)					74,324	
Net assets, ending, governmental activities	$ 3,977,320	$ 5,632,238	$ 7,285,542	$ 9,355,330	$ 12,081,097	$ 13,382,592	$ 13,695,925	$ 12,417,743	$ 11,005,301	$ 10,779,155
Business-type activities (1):										
Expenses	$ 3,751,849	$ 3,666,971	$ 3,905,705	$ 3,191,998	$ 2,308,944	$ 2,204,570	$ 2,018,125	$ 1,980,350	$ 2,038,850	$ 2,191,318
Program revenues	4,917,366	4,622,076	4,628,272	3,323,650	2,943,519	2,822,801	2,850,386	2,755,686	2,594,808	2,339,895
Net (expense)/revenue, business-type activities	1,165,517	955,105	722,567	131,652	634,575	618,231	832,261	775,336	555,958	148,577
General revenues and other changes, business-type activities	(499,149)	(522,173)	$ (605,726)	(443,156)	(452,132)	(318,898)	(453,416)	(396,571)	(430,134)	(395,174)
Change in net assets, business-type activities	666,368	432,932	116,841	(311,504)	182,443	299,333	378,845	378,765	125,824	(246,597)
Net assets, beginning	5,722,841	5,289,909	5,188,374	5,357,439	5,174,996	4,875,663	4,496,818	4,085,112	3,959,288	4,205,885
Restatement (2)			(15,306)	142,439				32,941		
Net assets, ending, business-type activities	$ 6,389,209	$ 5,722,841	$ 5,289,909	$ 5,188,374	$ 5,357,439	$ 5,174,996	$ 4,875,663	$ 4,496,818	$ 4,085,112	$ 3,959,288
Primaary government:										
Expenses	$ 34,797,388	$ 34,734,194	$ 33,815,619	$ 31,659,895	$ 29,102,810	$ 26,895,928	$ 24,344,523	$ 23,184,113	$ 22,421,052	$ 21,779,728
Program revenues	17,273,517	17,624,632	16,835,978	13,500,674	11,612,670	11,492,366	10,924,297	10,704,188	10,536,630	9,561,883
Net (expense)/revenue, primary government	(17,523,871)	(17,109,562)	(16,979,641)	(18,159,221)	(17,490,140)	(15,403,562)	(13,420,226)	(12,479,925)	(11,884,422)	(12,217,845)
General revenues and other changes, primary government	16,535,321	15,889,190	15,026,694	15,299,818	16,371,088	15,389,562	15,077,253	14,271,132	12,162,068	11,256,650
Change in net assets, primary government	(988,550)	(1,220,372)	(1,952,947)	(2,859,403)	(1,119,052)	(14,000)	1,657,027	1,791,207	277,646	(961,195)
Net assets, beginning	11,355,079	12,575,451	14,543,704	17,438,536	18,557,588	18,571,588	16,914,561	15,090,413	14,738,443	15,699,638
Restatement			(15,306)	(35,429)				32,941	74,324	
Net assets ending, primary government	$ 10,366,529	$ 11,355,079	$ 12,575,451	$ 14,543,704	$ 17,438,536	$ 18,557,588	$ 18,571,588	$ 16,914,561	$ 15,090,413	$ 14,738,443

(1) See the Expenses by Function, Primary Government and Revenues, Primary Government schedules for detail information on expenses and revenues.
(2) The begininning net assets for fiscal year 2004 were restated due to implementation of GASB Technical Bulleting No. 2004-1.
The beginning net assets for fiscal year 2005 were restated for a change in accounting principles regarding the valuation of investments by the State Lottery Agency. Prior years' balances were not restated. Beginning net assets balances were restated for fiscal year 2009 to recognize pollution remediation obligations for governmental activities and a prior period adjustment for capital assets of the Maryland Transportation Authority in the business-type activities. Beginning net assets were restated for fiscal year 2010 due to implementation of GASB Statement no. 53.

STATE OF MARYLAND
Expenses by Function, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,									
Functions/Programs	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Government activities:										
General government	$ 871,352	$ 865,519	$ 837,542	$ 835,858	$ 815,107	$ 712,936	$ 693,074	$ 747,486	$ 598,116	$ 665,133
Health and mental hygiene	9,870,227	9,592,240	9,174,006	8,398,880	7,648,495	7,400,023	6,588,057	6,202,439	6,090,102	5,592,272
Education	7,790,385	7,896,010	7,294,358	7,173,417	6,834,608	6,469,864	5,701,642	5,180,165	4,871,972	4,229,670
Aid for higher education*	1,898,244	1,921,224	1,908,027	1,878,043	1,851,379	1,299,090	1,103,514	1,074,048	1,081,099	1,554,955
Human resources	2,551,033	2,537,952	2,401,029	2,163,217	1,859,485	1,647,583	1,622,945	1,595,093	1,586,022	1,633,461
Public safety	2,078,085	2,198,490	2,119,696	2,134,038	2,100,098	1,852,861	1,674,995	1,498,684	1,398,017	1,338,202
Transportation	3,155,703	3,176,910	3,460,865	3,202,687	3,054,406	2,913,259	2,382,539	1,912,602	1,839,205	1,694,321
Judicial	649,324	681,717	654,605	682,324	633,844	541,713	506,787	476,253	439,576	429,302
Labor, licensing and regulation	279,632	277,887	253,977	204,027	186,470	168,022	157,675	170,344	175,551	182,584
Natural resources and recreation	207,840	205,921	187,525	219,060	179,682	166,751	181,682	184,599	169,791	168,107
Housing and community development	347,008	373,548	319,721	248,334	247,515	229,008	217,544	212,753	202,278	203,946
Environment	108,213	126,054	121,957	123,854	108,273	92,977	84,973	78,238	85,382	95,079
Agriculture	46,645	90,502	57,275	94,930	82,163	59,294	56,706	55,985	46,427	85,426
Business and economic development	78,406	83,519	78,701	94,584	97,991	66,405	57,093	58,127	58,666	43,387
Intergovernmental grants	614,685	611,595	635,467	624,475	742,398	738,973	979,450	1,453,408	1,461,133	1,422,007
Interest	498,757	428,135	405,163	390,169	351,952	332,599	317,722	303,539	278,865	250,558
Total governmental activities expenses	31,045,539	31,067,223	29,909,914	28,467,897	26,793,866	24,691,358	22,326,398	21,203,763	20,382,202	19,588,410
Buiness-type activities:										
Economic development-insurance programs	4,689	12,693	4,247	8,881	4,759	1,545	11	(132)	(4,911)	2,938
Economic development-general loan programs	20,106	18,905	13,501	30,586	21,547	181,394	19,129	31,010	53,237	48,633
Economic development-water quality loan programs	142,280	153,331	99,911	43,245	42,409	8,465	26,045	10,574	11,348	11,510
Economic development-housing loan programs	204,117	193,258	201,077	210,603	189,906	58,816	131,420	138,723	135,717	213,404
Unemployment insurance program	1,585,495	1,629,721	2,004,334	1,330,465	544,109	445,877	403,776	432,125	581,634	633,904
Maryland State Lottery	1,331,899	1,254,095	1,205,310	1,207,171	1,133,587	1,094,065	1,061,295	1,005,275	927,941	883,736
Maryland Transportation Authority	412,509	355,467	327,360	308,383	325,721	368,170	334,905	324,838	300,072	359,015
Maryland Correctional Enterprises	50,754	49,501	49,965	52,664	46,906	46,238	41,544	37,937	33,812	38,178
Total business-type activities expenses	3,751,849	3,666,971	3,905,705	3,191,998	2,308,944	2,204,570	2,018,125	1,980,350	2,038,850	2,191,318
Total primary government expenses	$ 34,797,388	$ 34,734,194	$ 33,815,619	$ 31,659,895	$ 29,102,810	$ 26,895,928	$ 24,344,523	$ 23,184,113	$ 22,421,052	$ 21,779,728

* Information for fiscal year 2003 has been restated to reflect reclassification of certain expenditures.

STATE OF MARYLAND
Revenues, Primary Government
Last Ten Fiscal Years
(accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,									
Source	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:										
Program revenues:										
Charges for services:										
General government	$ 500,747	$ 455,729	$ 490,230	$ 616,176	$ 359,589	$ 424,639	$ 301,119	$ 484,933	$ 349,078	$ 325,115
Health and mental hygiene	1,332,658	1,205,122	948,124	564,677	458,706	417,753	353,211	320,596	289,988	224,300
Transportation	541,961	540,859	527,330	508,629	611,002	643,447	583,346	580,691	716,422	526,253
Judicial	434,276	283,781	246,027	252,847	260,145	403,697	415,925	384,985	384,215	276,787
Other activities	462,765	460,733	608,284	462,761	377,905	327,765	303,259	298,033	277,720	303,190
Operating grants and contributions	8,199,616	9,341,179	8,659,808	7,079,697	5,924,816	5,725,441	5,323,300	5,091,053	5,204,906	4,843,927
Capital grants and contributions	884,128	715,153	727,903	692,237	676,988	726,823	793,751	788,211	719,493	722,416
Total program revenues	12,356,151	13,002,556	12,207,706	10,177,024	8,669,151	8,669,565	8,073,911	7,948,502	7,941,822	7,221,988
General revenues:										
Taxes:										
Income Taxes	7,868,089	7,605,497	7,003,514	7,167,890	7,885,639	7,333,979	7,119,633	6,829,564	5,518,813	5,107,593
Sales and use taxes	4,078,000	3,898,509	3,760,756	3,857,020	3,748,724	3,448,766	3,385,391	3,149,736	2,944,534	2,719,547
Motor vehicle taxes	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021	1,805,796	1,706,255
Tobacco taxes	411,427	407,570	405,915	405,559	376,112	277,755	280,307	275,796	272,066	279,016
Insurance company taxes	428,023	392,287	382,569	369,479	469,144	390,026	356,816	311,591	260,137	238,258
Property taxes	994,439	1,043,943	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405	838,976	576,186
Estate & inheritance taxes	221,206	241,576	196,002	229,723	261,987	242,208	238,462	198,272	167,590	157,484
Other taxes	296,068	302,421	294,752	293,391	311,048	309,883	302,106	306,139	300,622	281,550
Unrestricted investment earnings	155,587	79,042	167,581	202,682	345,578	350,249	251,388	130,359	48,134	62,611
Special items										114,200
Transfers	593,478	526,948	614,794	461,194	477,936	349,556	457,850	420,820	435,534	409,124
Total general revenues, special items and transfers	17,034,470	16,411,363	15,632,420	15,742,974	16,823,220	15,708,460	15,530,669	14,667,703	12,592,202	11,651,824
Total revenues, transfers and special items - governmental activities	29,390,621	29,413,919	27,840,126	25,919,998	25,492,371	24,378,025	23,604,580	22,616,205	20,534,024	18,873,812
Business-type activities:										
Program revenues:										
Charges for services:										
Unemployment insurance program	1,136,677	1,031,602	953,711	475,032	440,848	464,411	541,386	590,805	528,238	341,004
Maryland State Lottery	2,022,445	1,828,489	1,711,285	1,699,156	1,673,038	1,577,311	1,560,906	1,485,733	1,395,408	1,322,239
Maryland Transportation Authority	532,042	553,786	588,427	391,558	425,504	371,468	404,446	359,157	280,098	242,429
Other activities	307,914	327,854	359,204	366,916	346,494	333,621	274,918	242,337	203,462	257,859

Operating grants and contributions	917,219	880,345	1,015,645	390,988	57,635	25,995	27,020	26,206	129,991	136,113
Capital grants and contributions	1,069					49,995	41,710	51,448	57,611	40,251
Total program revenues	4,917,366	4,622,076	4,628,272	3,323,650	2,943,519	2,822,801	2,850,386	2,755,686	2,594,808	2,339,895
General revenues:										
InvestMD tax credits	84,000									
Unrestricted investment earnings	10,329	4,775	9,068	18,038	25,804	30,658	4,434	24,249	5,400	13,950
Transfers	(593,478)	(526,948)	(614,794)	(461,194)	(477,936)	(349,556)	(457,850)	(420,820)	(435,534)	(409,124)
Total general revenues and transfers	(499,149)	(522,173)	(605,726)	(443,156)	(452,132)	(318,898)	(453,416)	(396,571)	(430,134)	(395,174)
Total revenues and transfers-business-type activities	4,418,217	4,099,903	4,022,546	2,880,494	2,491,387	2,503,903	2,396,970	2,359,115	2,164,674	1,944,721
Total primary government revenues, special items, and transfers	$ 33,808,838	$ 33,513,822	$ 31,862,672	$ 28,800,492	$ 27,983,758	$ 26,881,928	$ 26,001,550	$ 24,975,320	$ 22,698,698	$ 20,818,533

STATE OF MARYLAND
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund (2):										
Nonspendable	$ 485,654	$ 468,330	$ 448,982							
Restricted	632	294	398							
Committed	1,271,765	1,163,278	1,140,676							
Unassigned	(680,949)	(292,292)	(340,964)							
Reserved				$ 1,363,060	$ 1,388,192	$ 2,373,711	$ 1,490,670	$ 1,537,565	$ 1,362,310	$ 1,295,012
Unreserved (deficit)				146,862	1,497,396	885,256	2,041,884	1,084,392	127,127	(110,344)
Total general fund	1,077,102	1,339,610	1,249,092	1,509,922	2,885,588	3,258,967	3,532,554	2,621,957	1,489,437	1,184,668
All Other Governmental Funds (2):										
Nonspendable	181,093	182,156	171,094							
Restricted	228,816	200,497	154,386							
Committed	550,287	568,396	608,854							
Unassigned (1)	(431,416)	(403,711)	(358,796)							
Reserved				574,349	519,013	523,796	599,016	563,511	588,190	554,714
Unreserved, reported in:										
Special revenue funds				166,567	(29,236)	162,627	219,737	173,094	199,289	135,710
Capital projects funds (1)				(375,595)	(128,045)	(83,260)	(196,454)	(297,322)	(425,038)	(163,001)
Debt service funds				104,238	54,263	57,132	122,456	155,833	73,268	30,815
Total all other governmental funds	528,780	547,338	575,538	469,559	415,995	660,295	744,755	595,116	435,709	558,238
Total governmental funds	$ 1,605,882	$ 1,886,948	$ 1,824,630	$ 1,979,481	$ 3,301,583	$ 3,919,262	$ 4,277,309	$ 3,217,073	$ 1,925,146	$ 1,742,906

(1) The unreserved and unassigned fund balance deficit of the capital projects fund will be funded by future bond proceeds and capital appropriations of the general fund.

(2) Beginning in fiscal year 2010, fund balances were rested due to implementation of GASB Statement No. 54.

STATE OF MARYLAND
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

(Expressed in Thousands)

	Year ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Income taxes	$ 7,822,259	$ 7,639,285	$ 6,957,811	$ 7,156,297	$ 7,868,899	$ 7,325,181	$ 7,108,573	$ 6,814,378	$ 5,499,953	$ 5,080,359
Retail sales and use taxes	4,076,729	3,896,876	3,754,326	3,851,752	3,748,933	3,447,896	3,382,851	3,153,676	2,945,060	2,717,383
Motor vehicle taxes and fees	1,988,153	1,913,570	1,796,769	1,787,144	1,920,460	1,995,525	1,996,645	2,045,021	1,805,796	1,706,255
Tobacco taxes	411,427	407,570	405,915	405,559	376,112	277,755	280,307	275,796	272,066	279,016
Insurance company taxes	428,023	392,287	382,569	369,479	469,144	390,026	356,816	311,591	260,137	238,258
Property taxes	994,439	1,043,943	1,009,768	968,892	1,026,592	1,010,513	1,142,071	1,000,405	838,976	576,186
Estate & inheritance taxes	221,206	241,576	196,002	229,723	261,987	242,208	238,462	198,272	167,590	157,484
Other taxes	296,068	302,421	294,752	293,391	311,048	309,883	302,106	306,139	300,621	281,550
Other licenses and fees	714,891	683,289	682,756	686,806	651,079	782,712	808,617	759,953	754,995	544,456
Charges for services	2,150,332	1,878,075	1,639,917	1,259,309	1,108,666	1,050,187	970,345	978,535	1,044,636	775,852
Revenues pledged as security for bonds (2)		95,057	89,521	66,098	77,541	70,563	70,593	70,875	52,255	69,108
Interest and other investment income	88,069	23,052	121,233	161,696	307,403	315,121	219,609	102,532	32,251	51,304
Federal	9,104,024	9,968,631	9,386,888	7,767,558	6,604,348	6,407,172	6,118,583	5,916,233	5,872,371	5,506,539
Other	405,263	309,902	413,762	377,127	214,755	240,671	108,689	331,224	162,748	261,226
Total revenues	28,700,883	28,795,534	27,131,989	25,380,831	24,946,967	23,865,413	23,104,267	22,264,630	20,009,455	18,244,976
Expenditures:										
Current:										
General government	836,112	775,370	762,488	757,186	729,788	716,958	738,472	703,466	627,626	640,205
Education	9,298,976	9,474,145	9,104,692	8,948,062	8,638,203	7,683,885	6,758,158	6,235,534	5,919,742	5,779,552
Business and economic development	75,835	79,284	74,578	90,892	94,503	65,774	56,374	57,287	58,259	43,441
Labor, licensing and regulation	261,615	246,700	226,118	182,751	166,848	164,255	154,607	166,787	174,047	181,835
Human resources	2,488,200	2,420,789	2,291,347	2,061,959	1,761,284	1,643,078	1,622,922	1,569,032	1,560,876	1,614,493
Health and mental hygiene	9,772,861	9,441,903	9,040,549	8,286,032	7,536,747	7,252,117	6,547,288	6,329,383	6,064,735	5,545,991
Environment	96,116	107,457	110,092	106,307	95,918	92,460	83,793	76,393	84,443	95,500
Transportation	1,472,418	1,228,659	1,422,084	1,333,618	1,262,973	1,219,507	1,121,714	1,273,622	1,143,520	1,123,911
Public safety	1,875,795	1,873,921	1,773,141	1,824,595	1,835,652	1,790,595	1,606,314	1,435,406	1,357,943	1,326,612
Judicial	590,082	577,333	556,908	585,778	556,056	527,618	490,861	462,568	434,135	421,702
Housing and community development	344,408	368,857	315,630	244,208	244,581	228,105	215,940	211,577	202,346	205,501
Natural resources and recreation	179,682	182,229	184,342	205,876	188,675	177,553	165,439	167,018	166,730	175,845
Agriculture	79,294	80,770	92,954	142,804	147,494	101,252	64,044	56,624	60,537	83,384
Intergovernmental	1,265,314	1,249,592	1,187,153	1,425,506	1,597,734	1,590,590	1,562,539	1,453,408	1,461,133	1,422,007

Debt service:										
Principal	645,024	598,265	560,348	536,050	497,300	473,985	485,635	464,650	424,925	421,859
Interest	399,710	390,340	366,237	349,214	315,010	298,007	280,278	258,791	247,027	203,701
Capital outlay	1,274,591	1,276,049	1,200,176	1,430,170	1,476,506	1,437,741	1,538,927	1,531,461	1,461,067	1,464,110
Total expenditures	30,956,033	30,371,663	29,268,837	28,511,008	27,145,272	25,463,480	23,493,305	22,453,007	21,449,091	20,749,649
Excess (deficiency) of revenues over expenditures	(2,255,150)	(1,576,129)	(2,136,848)	(3,130,177)	(2,198,305)	(1,598,067)	(389,038)	(188,377)	(1,439,636)	(2,504,673)
Other financing sources (uses):										
Capital leases	23,440	53,334	15,472	27,945	31,185	56,860	121,197	154,434	145,455	101,814
Proceeds from bond issues	1,375,297	1,058,166	1,477,837	1,318,718	1,071,403	831,193	904,907	937,480	898,818	1,196,199
Other long-term liabilities					102	2,411	5,320	12,321	142,015	171,239
Proceeds from refunding bonds	656,851		798,080	69,431				855,840	83,591	685,594
Payments to escrow agents	(674,982)		(924,185)	(69,213)				(940,591)	(83,537)	(684,697)
Transfers in	1,552,089	1,716,673	1,895,049	1,203,021	1,180,435	1,137,421	1,133,853	1,063,529	1,111,330	1,244,595
Transfers out	(958,611)	(1,189,726)	(1,280,256)	(741,827)	(702,499)	(787,865)	(676,003)	(642,709)	(675,796)	(835,471)
Net other sources (uses) of financial resources	1,974,084	1,638,447	1,981,997	1,808,075	1,580,626	1,240,020	1,489,274	1,440,304	1,621,876	1,879,273
Special items										114,200(1)
Net changes in fund balance	(281,066)	62,318	(154,851)	(1,322,102)	(617,679)	(358,047)	1,100,236	1,251,927	182,240	(511,200)
Fund balance, beginning of the year	1,886,948	1,824,630	1,979,481	3,301,583	3,919,262	4,277,309	3,177,073	1,925,146	1,742,906	2,254,106
Fund balance, end of the year	1,605,882 $	1,886,948 $	1,824,630 $	1,979,481 $	3,301,583 $	3,919,262 $	4,277,309 $	3,177,073 $	1,925,146 $	1,742,906
Debt service as a percentage of noncapital expenditures	3.5%	3.5%	3.4%	3.4%	3.3%	3.3%	3.6%	3.6%	3.5%	3.4%

(1) Includes certain one-time transfers from organizations outside the primary government.
(2) Beginning in fiscal year 2012, revenues pledged as security for bonds were reclassified to charges for services.

STATE OF MARYLAND
Personal Income Tax Filers by Subdivision
Tax Year Ended December 31, 2011

Subdivision	Number of Filers	Adjusted Gross Income	Net Taxable Income	State Income Tax(1)	Local Income Tax	State and Local Income Tax	Local Tax Rate
Allegany	22,134	$ 1,126,138,454	$ 850,042,600	$ 37,869,797	$ 25,135,223	$ 63,005,020	3.05%
Anne Arundel	207,793	18,054,342,821	14,188,241,121	653,871,693	359,791,466	1,013,663,159	2.56
Baltimore County	316,568	24,132,791,409	18,698,682,425	859,012,884	521,218,685	1,380,231,569	2.83
Calvert	33,474	2,799,181,770	2,134,883,001	98,109,018	59,200,590	157,309,608	2.80
Caroline	10,922	581,198,774	416,262,194	17,418,699	10,559,538	27,978,237	2.63
Carroll	63,528	5,095,022,863	3,923,768,780	181,874,201	118,694,404	300,568,605	3.05
Cecil	34,963	2,263,287,184	1,703,408,127	58,997,755	46,783,266	105,781,021	2.80
Charles	54,932	4,156,319,473	3,060,643,826	139,301,912	87,543,906	226,845,818	2.90
Dorchester	11,052	554,015,271	400,182,945	17,216,679	10,023,454	27,240,133	2.62
Frederick	90,723	7,241,418,670	5,554,905,733	254,732,679	162,743,270	417,475,949	2.96
Garrett	9,910	540,547,848	407,445,057	17,690,527	10,488,893	28,179,420	2.65
Harford	94,270	7,190,142,664	5,503,511,749	251,030,825	166,544,339	417,575,164	3.06
Howard	112,230	12,422,366,736	10,025,688,045	466,973,691	319,093,540	786,067,231	3.20
Kent	6,751	448,572,058	336,342,421	14,097,066	9,402,908	23,499,974	2.85
Montgomery	393,640	43,986,140,274	35,879,078,661	1,622,232,305	1,139,960,817	2,762,193,122	3.20
Prince George's	334,223	20,376,356,614	14,154,591,723	633,860,973	441,069,608	1,074,930,581	3.20
Queen Anne's	17,695	1,465,055,048	1,114,657,515	50,057,023	31,437,511	81,494,534	2.85
St. Mary's	38,425	3,002,595,146	2,327,958,649	106,959,121	69,054,194	176,013,315	3.00
Somerset	6,144	278,474,486	196,499,625	8,339,874	5,844,312	14,184,186	3.15
Talbot	14,068	1,285,429,925	1,014,019,704	45,374,930	22,534,205	67,909,135	2.25
Washington	51,881	3,035,481,403	2,273,798,830	102,348,874	62,063,884	164,412,758	2.80
Wicomico	32,647	1,762,762,055	1,299,300,743	55,014,430	38,768,322	93,782,752	3.10
Worcester	20,024	1,217,864,067	914,819,943	38,544,724	11,193,862	49,738,586	1.25
Baltimore City	196,107	10,452,153,540	7,768,185,194	340,289,877	237,052,615	577,342,492	3.20
Non-resident	71,972	7,509,667,155	6,849,516,391	232,712,836		232,712,836	
Total	2,246,076	$ 180,977,325,708	$ 140,996,435,002	$ 6,303,932,393	$ 3,966,202,812	$ 10,270,135,205	

(1) See State personal income tax rates schedules for tax rate information.

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND

State Personal Income Tax and Sales Tax Rates
Calendar Year 2012*

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
$3,000 - $100,000	4.75%	$3,001 - $150,000	4.75%
$100,001 - $125,000	5.00%	$150,001 - $175,000	5.00%
$125,001 - $150,000	5.25%	$175,001 - $225,000	5.25%
$150,001 - $250,000	5.50%	$225,001 - $300,000	5.50%
Over $250,000	5.75%	Over $300,000	5.75%

Sales Tax Rate: 6%

*Rates effective January 1, 2012

State Personal Income Tax and Sales Tax Rates
Calendar Years 2008 – 2011*

Filing Status, Single:		Married Filing Jointly:	
Taxable Income:	Rate:	Taxable Income:	Rate:
$3,000 - $150,000	4.75%	$3,000 - $200,000	4.75%
$150,001 - $300,000	5.00%	$200,001 - $350,000	5.00%
$300,001 - $500,000	5.25%	$350,001 - $500,000	5.25%
$500,001 - $1,000,000	5.50%	$500,001 - $1,000,000	5.50%
Over $1,000,000	6.25%	Over $1,000,000	6.25%

Sales Tax Rate: 6%

*Rates effective January 1, 2008

State Personal Income Tax and Sales Tax Rates
Calendar Years 2003 – 2007

Personal Income Tax Rate

Year	1st $1,000 of Net Taxable Income	2nd $1,000 of Net Taxable Income	3rd $1,000 of Net Taxable Income	In excess $3,000 of Net Taxable Income	Sales Tax Rate
2007	2%	3%	4%	4.75%	5%
2006	2	3	4	4.75	5
2005	2	3	4	4.75	5
2004	2	3	4	4.75	5
2003	2	3	4	4.75	5

Source: Revenue Administration Division, State Comptroller's Office

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)

2011

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
$500,000 and higher	20,027	0.90%	$ 1,074,619	17.05%
$100,000-$499,999	475,139	21.15	3,020,394	47.91
$70,000-$99,999	301,920	13.44	854,629	13.56
$50,000-$69,999	309,545	13.78	591,156	9.38
$25,000-$49,999	609,707	27.15	599,435	9.51
$10,000-$24,999	461,729	20.57	152,585	2.42
Under $10,000	68,009	3.03	11,115	0.18
Total	2,246,076	100.00%	$ 6,303,934	100.00%

2010

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
$500,000 and higher	19,031	0.87%	$ 1,103,398	18.00%
$100,000-$499,999	460,144	20.77	2,872,843	46.86
$70,000-$99,999	297,568	13.43	829,513	13.53
$50,000-$69,999	306,283	13.82	577,222	9.42
$25,000-$49,999	605,480	27.33	590,450	9.63
$10,000-$24,999	454,672	20.53	149,735	2.44
Under $10,000	72,525	3.27	7,087	0.12
Total	2,215,703	100.02%	$ 6,130,248	100.00%

2009

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
$500,000 and higher	16,589	0.77%	$ 901,111	15.76%
$100,000-$499,999	440,514	20.33	2,700,374	47.24
$70,000-$99,999	294,317	13.58	810,590	14.18
$50,000-$69,999	305,438	14.09	567,707	9.93
$25,000-$49,999	601,213	27.74	585,150	10.24
$10,000-$24,999	440,498	20.33	144,875	2.53
Under $10,000	68,464	3.16	6,709	0.12
Total	2,167,033	100.00%	$ 5,716,516	100.00%

2008

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
$500,000 and higher	18,490	0.84%	$ 1,203,268	19.89%
$100,000-$499,999	436,125	19.76	2,680,009	44.29
$70,000-$99,999	299,054	13.55	817,229	13.51
$50,000-$69,999	309,460	14.02	569,793	9.42
$25,000-$49,999	619,265	28.05	619,216	10.23
$10,000-$24,999	445,300	20.17	152,357	2.52
Under $10,000	79,781	3.61	8,570	0.14
Total	2,207,475	100.00%	$ 6,050,442	100.00%

2007

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
$500,000 and higher	22,546	0.98%	$ 1,343,286	21.49%
$100,000-$499,999	422,874	18.43	2,619,517	41.92
$70,000-$99,999	299,022	13.04	839,000	13.43
$50,000-$69,999	310,886	13.55	591,121	9.46
$25,000-$49,999	636,783	27.76	669,599	10.71
$10,000-$24,999	482,515	21.03	174,561	2.79
Under $10,000	119,277	5.20	12,218	0.20
Total	2,293,903	100.00%	$ 6,249,302	100.00%

2006

Income Level	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
$500,000 and higher	20,188	0.89%	$ 1,187,583	20.42%
$100,000-$499,999	386,236	17.07	2,379,534	40.91
$70,000-$99,999	290,471	12.83	818,732	14.08
$50,000-$69,999	303,484	13.41	577,995	9.94
$25,000-$49,999	637,570	28.17	666,375	11.46
$10,000-$24,999	501,656	22.16	172,923	2.97
Under $10,000	123,697	5.47	13,275	0.23
Total	2,263,302	100.00%	$ 5,816,417	100.00%

STATE OF MARYLAND
Personal Income Tax Filers and Liability by Income Level
Last Ten Tax Years Ended December 31st

(Dollars, except income level, Expressed in Thousands)

(continued)

	2005			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
$500,000 and higher	18,394	0.82 %	$ 1,064,405	19.41%
$100,000-$499,999	354,202	15.84	2,185,588	39.85
$70,000-$99,999	282,940	12.66	804,574	14.67
$50,000-$69,999	298,942	13.37	573,615	10.46
$25,000-$49,999	636,912	28.49	667,108	12.16
$10,000-$24,999	511,948	22.90	174,268	3.18
Under $10,000	132,317	5.92	14,411	0.26
Total	2,235,655	100.00 %	$ 5,483,969	100.00 %

	2004			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
$100,000 and higher	322,388	15.04%	$ 2,473,983	53.06%
$75,000-$99,999	213,573	9.96	638,382	13.69
$50,000-$74,999	347,875	16.23	703,769	15.09
$25,000-$49,999	626,618	29.23	661,464	14.19
$10,000-$24,999	507,779	23.69	171,094	3.67
Under $10,000	125,426	5.85	13,758	0.30
Total	2,143,659	100.00%	$ 4,662,450	100.00%

	2003			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
$100,000 and higher	289,448	13.75%	$ 2,107,257	49.48%
$75,000-$99,999	205,607	9.77	611,558	14.36
$50,000-$74,999	345,285	16.40	695,499	16.33
$25,000-$49,999	626,336	29.76	660,343	15.51
$10,000-$24,999	513,506	24.40	170,481	4.00
Under $10,000	124,623	5.92	13,594	0.32
Total	2,104,805	100.00%	$ 4,258,732	100.00%

	2002			
	Number of Filers	Percentage of Total	Income Tax Liability	Percentage of Total
Income Level				
$100,000 and higher	269,980	12.87%	$ 1,924,320	47.10%
$75,000-$99,999	201,154	9.59	597,359	14.62
$50,000-$74,999	346,786	16.53	700,379	17.15
$25,000-$49,999	631,516	30.10	672,903	16.47
$10,000-$24,999	523,825	24.97	176,215	4.31
Under $10,000	124,636	5.94	14,180	0.35
Total	2,097,897	100.00%	$ 4,085,356	100.00%

Source: Revenue Administration Division, Comptroller's Office

STATE OF MARYLAND
Sales and Use Tax Receipts by Principal Type of Business
Last Ten Fiscal Years
(Expressed in Thousands)

Year	Food and Beverage*	Apparel	General Merchandise	Automotive	Furniture and Appliances	Building & Industrial Supplies	Utilities & Transportation	Hardware, Machinery & Equipment	Miscellaneous	Assessment Collections	Total Collections
2012	$ 1,013,589	$ 193,049	$ 736,119	$ 268,506	$ 330,226	$ 485,588	$ 349,284	$ 100,832	$ 582,760	$ 16,627	$ 4,076,580
2011	891,267	187,014	716,226	259,052	343,897	467,156	367,543	94,654	559,420	10,470	3,896,699
2010	864,941	189,057	705,121	239,813	347,243	445,706	370,435	92,241	484,910	14,310	3,753,777
2009	851,038	188,931	705,193	252,973	362,374	483,384	404,219	97,355	489,672	16,153	3,851,292
2008	776,466	181,302	672,024	249,506	387,590	517,452	356,747	100,922	481,478	25,435	3,748,922
2007	689,279	167,918	612,937	234,898	380,999	504,516	316,600	91,628	432,831	16,233	3,447,839
2006	664,654	158,839	601,431	230,753	380,642	530,214	284,661	88,754	418,491	23,257	3,381,696
2005	624,292	151,837	568,018	221,341	360,580	475,135	254,860	84,498	390,889	22,226	3,153,676
2004	591,744	144,961	538,364	216,385	333,307	417,729	231,099	78,351	387,780	29,721	2,969,441
2003	555,108	133,363	504,099	202,927	314,144	359,468	218,537	70,427	362,003	17,165	2,737,241

Source: Revenue Administration Division, Comptroller's Office

*The 2011 Session of the Maryland General Assembly approved legislation increasing the sales tax on alcoholic beverages from 6% to 9% effective fiscal year 2012.

STATE OF MARYLAND
Schedule of Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

(Dollars Expressed in Thousands except Per Capita)

	General Bonded Debt		Other Governmental Activities Debt				Debt Ratios, Governmental Activities		Business-Type Activities Debt				Debt Ratios, Primary Government	
Fiscal Year	General Obligation Bonds	Transportation Bonds	Capital Leases	Transportation Debt/Other Liabilities(2)	Capital Leases with Component Units	Total Governmental Activities Debt	Percentage of Personal Income(1)	Per Capita (1)	Revenue Bonds	Capital Leases	Total Business-Type Activities Debt	Total Primary Government Debt	Percentage of Personal Income(1)	Per Capita(1)
2012	$ 7,541,102	$ 1,562,630	$ 755,653		$ 210,676	$ 10,070,061	3.41%	$ 1,728	$ 6,377,228	$ 56,212	$ 6,433,440	$ 16,503,501	5.59%	$ 2,832
2011	6,982,846	1,561,840	755,778		214,590	9,515,054	3.35	1,645	6,504,780	44,886	6,549,666	16,064,720	5.66	2,776
2010	6,523,222	1,645,010	798,201		232,762	9,199,195	3.31	1,614	6,161,633	5,261	6,166,894	15,366,089	5.53	2,696
2009	5,873,643	1,582,605	848,208		250,407	8,554,863	3.14	1,519	5,422,501	5,748	5,428,249	13,983,112	5.13	2,482
2008	5,493,830	1,268,815	515,134	$ 373,319	265,767	7,916,865	3.02	1,409	5,041,339	648	5,041,987	12,958,852	4.94	2,307
2007	5,142,154	1,111,050	535,482	391,029	278,265	7,457,980	3.03	1,331	4,140,383	1,124	4,141,507	11,599,487	4.70	2,071
2006	4,868,472	1,079,340	519,592	404,320	293,140	7,164,864	3.08	1,286	2,882,855	1,256	2,884,111	10,048,975	4.31	1,803
2005	4,511,826	1,071,620	440,236	409,587	304,220	6,737,489	3.06	1,217	2,825,315	1,673	2,826,988	9,564,477	4.34	1,727
2004	4,102,278	1,188,090	345,028	400,813	303,901	6,340,110	3.08	1,154	2,935,711	3,132	2,938,843	9,278,953	4.51	1,689
2003	3,932,493	964,400	262,792	264,099	296,672	5,720,456	2.88	1,053	3,220,797	2,371	3,223,168	8,943,624	4.50	1,646

Source: General Accounting Division, State Comptroller's Office

(1) Population and personal income data can be found in the Schedule of Demographics Statistics.

(2) Transportation debt/other liabilities was reclassified as capital leases beginning infiscal year 2009.

STATE OF MARYLAND
Ratio of General Bonded Debt
To Actual Value and General Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Estimated Population (1)	(Expressed in Thousands) Estimated Property Value	General Bonded Debt(2)	Ratio of General Bonded Debt to Actual Property Value	General Bonded Debt per Capita
2012	5,828	$ 653,376,073	$ 7,541,102	1.15 %	$ 1,294
2011	5,786	689,329,692	6,982,846	1.01	1,207
2010	5,699	731,809,178	6,523,222	0.89	1,145
2009	5,634	707,573,095	5,873,643	0.83	1,043
2008	5,618	633,453,169	5,493,830	0.87	978
2007	5,602	527,012,375	5,142,154	0.98	918
2006	5,573	452,249,831	4,868,472	1.08	874
2005	5,537	398,065,083	4,511,826	1.13	815
2004	5,494	361,689,307	4,102,278	1.13	747
2003	5,434	336,657,741	3,932,493	1.17	724

Source: The Fifty-ninth through Sixty-eighth Report of the State Department of Assessments and Taxation and the State Comptroller's Office.

(1) See Schedule of Demographic Statistics.

(2) Includes general obligation bonds. The primary revenue source to pay the debt service for general obligation bonds is property taxes.

STATE OF MARYLAND
Legal Debt Margin Information
Last Ten Fiscal Years
(Expressed in Thousands)

Legal Debt Margin Caculation for Fiscal Year 2012

Debt Limit (1)	$ 12,388,337
Debt applicable to limit:	
General obligation bonds	7,541,102
Transportation bonds	1,562,630
Nontraditional Transportation debt (2)	643,706
Less amounts set aside for replacement of:	
General obligation debt	228,256
Transportation debt	81,050
Total net debt applicable to limit…	9,438,132
Legal debt margin	$ 2,950,205

	Year ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	$ 12,388,337	$ 11,790,027	$ 11,410,017	$ 9,822,844	$ 9,780,943	$ 9,064,691	$ 8,730,531	$ 7,819,314	$ 7,301,732	$ 6,800,976
Total net debt applicable to limit	9,438,132	8,948,851	8,658,167	8,015,376	7,400,792	6,924,327	6,572,782	5,463,019	5,212,769	4,862,003
Legal debt margin	$ 2,950,205	$ 2,841,176	$ 2,751,850	$ 1,807,468	$ 2,380,151	$ 2,140,364	$ 2,157,749	$ 2,356,295	$ 2,088,963	$ 1,938,973
Total net debt applicable to limit as a percentage of debt limit	76.19%	75.90%	75.88%	81.60%	75.67%	76.39%	75.29%	69.87%	71.39%	71.49%

Source: General Accounting Division, State Comptroller's Office

(1) For general obligation bonds, the debt limit is based on separate enabling acts for particular objects or purposes that are enacted during each legislative session. There is no separately mandated maximum amount for the issuance of general obligation bonds. For transportation bonds, the General Assembly each year establishes a maximum aggregate outstanding amount that does not exceed $1,500,000,000 up to June 30, 2004, does not exceed $2,000,000,000 up to June 30, 2007, and does not exceed $2,600,000,000 through June 30, 2009 and thereafter.

(2) The 2011 session of the General Assembly established a maximum outstanding principal amount of $627,800,000 as of June 30, 2012, for all nontraditional debt of the Department. Nontraditional debt outstanding is defined as any debt instrument that is not a Consolidated Transportation Bond or GARVEE bond. This debt includes certificates of participation, debt backed by customer facility charges, passenger facility charges, or other revenues, and debt issued by the Maryland Economic Development Corporation or any other third party on behalf of the Department.

STATE OF MARYLAND
Schedule of Taxes Pledged to Consolidated Transportation Bonds and Net Revenues as Defined for Purposes of Consolidated Transportation Bonds Coverage Tests
Last Ten Fiscal Years
(Expressed in Thousands)

	Year ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Taxes and fees:										
Taxes pledged to bonds (4)(5)	$ 1,277,770	$ 1,300,022	$ 1,244,280	$ 1,234,750	$ 1,139,321	$ 1,196,568	$ 1,221,720	$ 1,220,851	$ 1,145,048	$ 1,073,953
Other taxes and fees(2)	475,561	439,657	415,409	418,734	404,082	410,614	391,618	381,516	112,305	88,833
Total taxes and fees (1)	1,753,331	1,739,679	1,659,689	1,653,484	1,543,403	1,607,182	1,613,338	1,602,367	1,257,353	1,162,786
Operating Revenues	402,056	390,547	388,587	392,772	395,003	369,241	340,742	328,273	339,635	299,844
Investment income	40,015	60,458	394	3,996	3,683	10,574	8,211	4,928	3,374	2,960
Other(3)	2,750	1,004	(3,600)	(3,666)	4	39,836	87,640	75,902	90,943	79,023
Total revenues	2,198,152	2,191,688	2,045,070	2,046,586	1,942,093	2,026,833	2,049,931	2,011,470	1,691,305	1,544,613
Administration, operation and maintenance expenditures	1,572,181	1,547,339	1,582,578	1,526,965	1,488,310	1,396,872	1,302,582	1,237,446	1,177,889	1,159,176
Less: Federal funds	(92,737)	(90,733)	(90,761)	(93,729)	(79,228)	(72,598)	(70,828)	(79,892)	(76,503)	(76,841)
Total	1,479,444	1,456,606	1,491,817	1,433,236	1,409,082	1,324,274	1,231,754	1,157,554	1,101,386	1,082,335
Net revenues	$ 718,708	$ 735,082	$ 553,253	$ 613,350	$ 533,011	$ 702,559	$ 818,177	$ 853,916	$ 589,919	$ 462,278
Maximum annual principal and interest requirements	$ 219,765	$ 210,714	$ 210,714	$ 197,281	$ 153,661	$ 129,550	$ 121,412	$ 141,172	$ 169,655	$ 153,965
Ratio of net revenues to maximum annual principal and interest requirements	3.27	3.49	2.63	3.11	3.47	5.42	6.74	6.05	3.48	3.00
Ratio of taxes pledged to bonds to maximum annual principal and interest requirements	5.81	6.17	5.91	6.26	7.41	9.24	10.06	8.65	6.75	6.98

Source: The Maryland Department of Transportation, The Secretary's Office, Office of Finance.

(1) The 2003 session of the Maryland General Assembly approved legislation requiring the deposit of $160,000,000 in FY 2003 and $154,900,000 in FY 2004 in the State's general fund.
(2) The 2004 session of the Maryland General Assembly approved legislation increasing Vehicle Registration Fee
(3) 2007 was the last year for the transfer of $43,000,000 from Maryland Transportation Authority to the Transportation Trust Fund.
(4) The 2007 special session of the Maryland General Assembly approved legislation to increase the State's sales tax and the vehicle excise tax (titling tax) from 5% to 6%, effective January 1, 2008. In addition, effective July 1, 2008, the precentage of titling tax retained by the Department was increased from 76% to 80%.
(5) In addiition, effective July 1, 2008, the Department began receiving 5.3% of the net State's sales tax (after distribution of the State's sales tax on rented vehicles). This provision was repealed by the 2011 legislative session, effective July 1, 2011.

STATE OF MARYLAND

Ratio of Pledged Assets to Revenue Bonds, Community Development Administration

Last Ten Fiscal Years

(Expressed in Thousands)

	Pledged Assets (1)	Revenue Bonds Payable	Ratio of Pledged Assets to Revenue Bonds
2012	$ 3,542,214	$ 2,926,149	1.21
2011	3,627,287	3,047,472	1.19
2010	3,717,989	3,136,883	1.19
2009	3,517,631	2,983,490	1.18
2008	3,489,271	2,971,219	1.17
2007	3,497,373	3,016,848	1.16
2006	2,476,342	2,040,485	1.21
2005	2,439,264	1,973,583	1.24
2004	2,643,756	2,211,905	1.20
2003	3,003,939	2,537,388	1.18

(1) Bonds and notes issued by the Community Development Administration (CDA) are special obligations of CDA and are payable solely from the revenues of the applicable mortgage loan programs. Assets, principally mortgage loans, and program revenues are pledged as collateral for the revenue bonds.

STATE OF MARYLAND
Schedule of Demographic Statistics
Last Ten Years

	Population (1)	Total Personal Income (2) (Expressed in Thousands)	Per Capita Personal Income	School Enrollment (3)	Unemployment Rate (4)
2012	5,828,289	$ 295,235,516	$ 50,656	961,486	6.8%
2011	5,785,982	283,919,505	49,070	993,996	7.2
2010	5,699,478	278,026,000	48,781	984,134	7.4
2009	5,633,597	272,542,169	48,378	975,861	5.9
2008	5,618,899	264,367,477	47,050	1,024,803	3.7
2007	5,602,258	252,780,827	45,121	1,036,523	3.9
2006	5,575,552	237,522,127	42,601	1,050,627	3.8
2005	5,538,989	225,022,781	40,625	1,053,378	4.2
2004	5,495,009	209,373,672	38,103	1,056,520	4.3
2003	5,439,327	202,147,625	37,164	1,056,944	4.7

Sources:

(1) U.S. Census Bureau, "Intercensal Estimates of the Resident Population for States", April 1, 2000 - July 1, 2010, revised October 2012. Estimates for the calendar year except that the current year amount is a projected estimate for the year.

(2) U.S. Department of Commerce, Bureau of Economic Analysis. Data for all years based on revised statistics of state personal income released on September 25, 2012. All estimates of state personal income are subject to BEA's flexible annual revision schedule.

(3) Figures are for the calendar year. State Department of Education, grades pre-kindergarten thru grade 12. Includes public and nonpublic schools. 2012 data for nonpublic schools is incomplete.

(4) Figures are for the fiscal year. State Department of Labor, Licensing and Regulation.

STATE OF MARYLAND
Schedule of Employment by Sector
Prior Year and Nine Years Prior (3)

	Calendar Year 2011 (1)			Calendar Year 2002 (2)		
	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker	Average Annual Employment	Total Wages (Expressed in Thousands)	Average Weekly Wage Per Worker
Government:						
State and local	343,406	$ 17,056,640	$ 955	321,901	$ 12,580,938	$ 752
Federal	144,513	13,448,221	1,790	128,314	8,071,633	1,210
Total government	487,919	30,504,861	1,202	450,215	20,652,571	882
Manufacturing	113,049	7,611,522	1,295	156,875	7,614,828	933
Natural resources and mining	6,553	246,716	724	6,247	182,697	562
Construction	143,152	7,861,215	1,056	165,725	6,825,795	792
Trade, transportation, and utilities	439,656	17,923,762	784	461,501	15,125,219	630
Information services	41,713	3,140,177	1,448	53,402	3,009,881	1,084
Financial activities	136,487	10,141,676	1,429	151,187	8,045,043	1,023
Professional and business services	397,247	27,517,922	1,332	357,504	16,575,035	892
Education and health services	391,842	18,680,832	917	318,044	11,445,322	692
Leisure and hospitality	233,724	4,606,361	379	215,106	3,554,931	318
Unclassified and other services	87,780	3,701,187	811	91,590	2,492,600	523
Total of all sectors	2,479,122	$ 131,936,231	$ 1,023	2,427,396	$ 95,523,922	$ 757

(1) Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information Publications "Employment and Payroll 2011 Annual Averages" issued July, 2012. This report reflects the new North American Industry Classification System (NAICS) coding revisions.

(2) Source: Maryland Department of Economic and Employment Development, Office of Labor Market Analysis and Information, August, 2003.

(3) Some of the data is not comparative due to the reclassifications made during the term of the two periods.

STATE OF MARYLAND
Maryland's Ten Largest Private Employers*

Calendar Years

Employer (Listed Alphabetically)

2012 and 2011	2010 and 2009	2008
Giant Food Stores	Adventist Healthcare	Giant of Maryland LLC
Helix Health System Inc	Giant of Maryland LLC	Helix Health System Inc.
Home Deport USA Inc.	Helix Health Systems Inc	Home Deport USA Inc.
Johns Hopkins Hospital	Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University	Johns Hopkins University
Northrop Grumman Corporation	Northrop Grumman Corporation	Northrop Grumman Corporation
Safeway Inc	Safeway Inc	Safeway Inc
Target	Target	University of Maryland Medical System
University of Maryland Medical System	University of Maryland Medical System	United Parcel Service
Wal-Mart	Wal-Mart	Wal-Mart

2007	2006 and 2005	2004 and 2003
Giant of Maryland LLC	Giant of Maryland LLC	Giant of Maryland LLC
Helix Health System Inc.	Helix Health System Inc.	Helix Health System Inc.
Home Depot USA Inc.	Home Depot USA Inc.	Home Depot USA Inc.
Johns Hopkins Hospital	Johns Hopkins Hospital	Johns Hopkins Hospital
Johns Hopkins University	Johns Hopkins University	Johns Hopkins University
Macy's	Northrop Grumman Corporation	Northrop Grumman Corporation
Northrop Grumman Corporation	Safeway Inc	Safeway Inc
Safeway Inc	Target	United Parcel Service
United Parcel Service	United Parcel Service	Verizon Maryland Inc.
Wal-Mart	Wal-Mart	Wal-Mart

Source: Department of Labor, Licensing and Regulation; Office of Labor Market Analysis and Information - Major Employer List - March 2012

* Information such as the number of employees or the employers' percentage of total employment is not available for disclosure.

STATE OF MARYLAND
State Employees by Function/Program
Last Nine Fiscal Years*

	Year ended June 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
State Employees:									
Governmental activities:									
General government	5,487	5,479	5,695	5,813	5,770	5,712	5,656	5,493	5,604
Health and mental hygiene	9,929	9,459	10,103	10,880	11,441	11,661	11,668	11,633	11,815
Education	2,227	2,162	2,250	2,450	2,445	2,504	2,425	2,295	2,180
Human resources	6,268	6,327	6,456	6,503	6,605	6,713	6,767	6,910	6,852
Public safety	15,625	15,547	15,759	16,311	15,791	15,603	15,307	15,207	15,356
Transportation	6,201	6,137	6,405	6,638	6,572	6,518	6,523	6,599	6,799
Judicial	5,905	5,935	5,854	6,109	5,982	5,851	5,744	5,496	5,387
Labor, licensing and regulation	1,906	1,962	1,879	1,662	1,644	1,682	1,647	1,667	1,691
Natural resources and recreation	2,100	2,135	2,111	2,104	2,070	2,008	1,970	2,028	2,076
Housing and community development	385	268	274	246	209	228	256	262	254
Environment	927	958	1,000	960	913	926	922	901	907
Agriculture	436	450	482	482	511	481	499	500	516
Business and economic development	170	167	163	228	275	295	340	307	303
Total governmental activities employees	57,566	56,986	58,431	60,386	60,228	60,182	59,724	59,298	59,740
Business-type activities:									
Economic development - insurance programs.	268	266	262	237	208	201	210	201	205
Maryland State Lottery	215	200	181	189	183	185	183	169	177
Maryland Transportation Authority	1,681	1,650	1,660	1,652	1,652	1,594	1,502	1,503	1,562
Maryland Correctional Enterprises	194	184	200	204	201	184	187	164	159
Total business-type activities employees	2,358	2,300	2,303	2,282	2,244	2,164	2,082	2,037	2,103
Total primary government employees	59,924	59,286	60,734	62,668	62,472	62,346	61,806	61,335	61,843
Component units:									
Higher Education	39,005	39,259	39,411	38,985	37,988	36,132	34,882	39,388	34,397
Prepaid College Trust**	14	15	17	16	16	16			
Stadium Authority	112	112	108	117	108	120	98	93	97
Other component units	29	29	28	24	24	27	42	59	41
Total component unit employees	39,160	39,415	39,564	39,142	38,136	36,295	35,022	39,540	34,535

Source: Central Payroll Bureau, State Comptroller's Office

* Information for prior years not available.

** Information for prior years is included in the total for "Other Component Units".

STATE OF MARYLAND
Schedule of Miscellaneous, Operating and Capital Asset Statistics by Function
Last Nine Fiscal Years*

Date of Ratification 1788
Form of Government ..... Legislative - Executive - Judicial
Land Area ..... 9,844 square miles

Function/Program	2012**	2011	2010	2009	2008	2007	2006	2005	2004
Education, Public School Enrollment	821,106	817,610	814,609	815,742	823,732	827,596	829,007	828,961	821,984
Health and Human Resources:									
Medicaid Enrollment	816,957	764,500	676,187	569,964	532,082	520,436	629,500	638,085	502,860
Children's Health Program Enrollment	99,742	98,000	97,998	105,617	108,504	105,999	103,260	95,019	98,420
WIC Food Program Recipients	154,275	155,000	148,670	144,072	132,483	121,471	113,100	108,574	106,060
Mental Hygiene Clients	162,478	152,953	122,046	111,678	99,382	93,933	92,715	92,608	90,849
Public Assistance Caseload (AFDC/TANF	73,222	67,422	67,422	58,426	51,554	50,149	57,589	65,782	70,745
Foster Care and Subsidized Adoption Average Caseload	15,109	15,297	15,093	14,235	14,839	13,806	13,956	14,762	15,028
Public Safety:									
Correctional Institutions Average Daily Population	21,674	21,159	20,891	22,778	22,943	21,680	26,475	26,938	27,933
Parole and Probation, Active Cases under Supervision	52,650	55,200	54,939	54,484	48,600	52,147	49,244	50,112	50,127
Youth Residential Programs, Average Daily Population	1,476	1,468	1,406	1,519	1,625	1,646	1,728	1,747	2,039
Average Monthly Number of Youths on Probation	3,210	5,015	5,015	6,760	6,610	6,247	6,568	6,765	6,840
Public Safety (State Police):									
Number of Police Stations	25	25	25	26	26	26	26	26	26
Number of State Police	1,563	1,565	1,565	1,567	1,590	1,591	1,591	1,593	1,596
Motor Vehicle Citations (calendar year	382,600	348,459	366,777	390,100	446,505	430,284	462,252	482,219	459,272
Motor Vehicle - Number of Collisions (calendar year)	90,600	102,000	100,000	95,300	100,700	100,707	101,785	102,546	101,858
Judicial, Total Filings		NA	2,155,864	2,208,268	2,363,183	2,383,668	2,410,038	2,422,466	2,418,359
Transportation:									
Miles of State Highways	5,266	5,254	5,244	5,240	5,242	5,241	5,235	5,234	5,235
Lane Miles Maintained	17,042	16,988	16,961	16,895	16,857	16,787	16,731	16,717	16,680
Expenditures per Lane Mile	$8,618	$8,171	$7,572	$8,913	$8,764	$8,990	$7,812	$7,957	$8,039
Number of Bridges***	1,182	1,183	1,180	1,180	1,176	1,155	1,155	1,155	1,157
Motor Vehicle Registrations	4.9million	5.0 million	4.8 million	4.6 million	4.8 million	5.0 million	5.1 million	5.0 million	4.9 million
BWI Airport Passengers (calendar year)	22.3million	22.5 million	21.7 million	19.6 million	20.4 million	20.8 million	19.7 million	19.1 million	20.5 million
Acres Agricultural Land Preserved - all programs	572,680	563,482	554,285	534,906	482,236	482,236	459,871	430,000	N/A
Department of Housing and Community Development:									
Active Single Family/Multifamily Bond Financed Loans	17,322	16,456	16,405	16,906	16,648	14,250	12,213	13,769	15,986
Department of Business and Economic Development:									
Number of businesses assisted****	13	17	24	500	428	1,600	1,600	1,146	1,094
Number of workers trained	262	637	547	1,007	2,710	7,417	12,425	9,694	9,101
Higher Education (Universities, Colleges and Community Colleges):									
Number of Campuses in State	29	29	29	29	29	29	29	29	29
Number of Educators	9,892	9671	9,421	9,190	9,224	9,021	8,711	8,606	8,432
Number of Students	298,273	286,106	280,196	269,287	263,636	255,969	256,580	251,984	246,794
Number of State Scholarships Awarded	57,970	65,544	52,965	58,935	58,552	56,495	52,576	47,025	44,851
Recreation:									
Number of State Parks and Forests	66	65	65	64	61	58	60	60	61
State Parks Daily Visitors	10.8 million	10.5 million	10.1 million	11.4 million	11.3 million	11.3 million	11.1 million	11.5 million	9.9 million
Area of State Parks, Acres	95,199	95,196	94,729	94,520	93,972	93,683	93,661	93,661	97,362
Area of State Forests, Acres	142,979	142,058	141,789	141,434	140,433	138,587	136,093	136,093	135,951

* Information for prior years not available.
** These amounts are estimates.
*** On Maryland's portion of the National Highway System
**** Restructuring of training programs in 2009 has lead to reduced funding for the Partnership for Workforce Quality Program (PWQ).

Sources: State Comptroller's Office, General Accounting Division, Central Payroll Bureau, Maryland Manual @ www.mdarchives.state.md.us/msa/mdmanual, Maryland Budget, Department of Budget and Management, Department of Natural Resources, and the State Highway Administration of Maryland.

Financial

SCHEDULES

Required by Law

These schedules are required to be submitted by the Comptroller by Title 2, Section 102 of the State Finance and Procurement Article of the Annotated Code of Maryland.

STATE OF MARYLAND
Schedule of Estimated and Actual Revenues By Source, Budgetary Basis, for the Year Ended June 30, 2012

(Expressed in Thousands)

	Annual Budgeted Funds											
							Higher Education Funds				Capital	
	General Fund		Special Fund		Federal Fund		Current Unrestricted Fund		Current Restricted Fund		Projects Fund	Total
	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Estimated Revenues	Actual Revenues	Actual Revenues	Actual Revenues
Taxes:												
Property tax		$ 1,925	$ 877,602	$ 879,293								$ 881,218
Franchise and corporation tax	$ 126,509	127,106										127,106
Death taxes	200,379	196,897										196,897
Admission and amusement tax	16,600	13,958	3,069	2,901								16,859
Alcohol beverages tax	30,533	31,010										31,010
Motor vehicle fuel taxes	5,000	5,000	743,701	728,410								733,410
Income taxes	7,578,192	7,761,154	215,920	235,806								7,996,960
Sales and use taxes	3,979,527	4,039,348	40,467	37,220								4,076,568
Tobacco taxes	407,545	411,427										411,427
Motor vehicle titling taxes			635,000	632,356								632,356
Insurance company taxes	294,781	304,022	121,703	124,002								428,024
Horse racing taxes			1,619	1,268								1,268
Shellfish taxes				204								204
Boxing, wrestling or sparring taxes		476										476
Boat titling taxes			8,354	13,664								13,664
Energy generation tax			46,109	48,750								48,750
Emergency telephone system tax			63,993	56,753								56,753
Total taxes	12,639,066	12,892,323	2,757,537	2,760,627							-	15,652,950
Other:												
Licenses and permits	42,984	40,702	553,618	556,175								596,877
Fees for services	142,149	127,499	911,630	886,325								1,013,824
Fines and costs	155,113	163,975	249,927	262,494								426,469
Sales to the public	22,009	14,149	162,539	148,263								162,412
Commissions and royalties	76	8	83,826	74,781								74,789
Rentals	170	2,444	87,020	103,447								105,891
Interest on investments	30,000	25,438	2,700	10,830		$ 355					$ 119	36,742
Interest on loan repayments			6,000	1,821								1,821
Miscellaneous	85,254	98,172	130,099	108,689								206,861
Colleges and universities							$ 2,577,935	$ 2,610,586	$ 1,302,982	$ 1,251,684		3,862,270
Federal reimbursements and grants					$ 9,533,961	8,964,477						8,964,477
Other reimbursements	144,492	151,980	981,099	981,927								1,133,907
Bond issues:												
State - general purpose											1,112,204	1,112,204
Consolidated transportation bonds			315,000	115,000								115,000
Premiums			3,500	147,440								147,440
State reimbursements	705,880	559,391	282,974	225,356							51,373	836,120
Appropriated from other funds							1,206,381	1,206,381				1,206,381
Trust funds			22,652	16,313								16,313
Revolving accounts	8,000	8,375	22,836	14,113								22,488
Total revenues	$ 13,975,193	$ 14,084,456	$ 6,572,957	$ 6,413,601	$ 9,533,961	$ 8,964,832	$ 3,784,316	$ 3,816,967	$ 1,302,982	$ 1,251,684	$ 1,163,696	$ 35,695,236

STATE OF MARYLAND
Schedule of Budget and Actual Expenditures and Encumbrances By Major Function, Budgetary Basis
For the Year Ended June 30, 2012

(Expressed in Thousands)

	Annual Budgeted Funds											
							Higher Education Funds					
	General Fund		Special Fund		Federal Fund		Current Unrestricted Fund		Current Restricted Fund		Capital Projects Fund	
Expenditures and Encumbrances by Major Function*	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Final Budget	Actual	Actual	Total Actual
Payments of revenue to civil divisions of the State	$ 119,747	$ 119,747										$ 119,747
Public debt			$ 871,203	$ 866,712	$ 11,498	$ 11,498						878,210
Legislative	76,837	76,837	100									76,837
Judicial review and legal	481,430	481,145	95,985	86,367	9,944	7,361						574,873
Executive and administrative control	253,846	251,226	261,212	242,253	280,201	259,183						752,662
Financial and revenue administration	201,590	199,517	256,438	183,230								382,747
Budget and management	46,017	43,994	35,656	21,581	46,363	46,363						111,938
Retirement and pension			29,278	27,018								27,018
General services	55,126	55,124	2,721	2,706	1,052	1,052						58,882
Transportation and highways			2,666,991	2,534,804	964,669	921,433						3,456,237
Natural resources and recreation	44,974	44,612	120,343	111,142	36,503	29,313						185,067
Agriculture	30,272	28,877	51,718	48,695	5,131	4,342						81,914
Health, hospitals and mental hygiene	3,950,504	3,949,174	1,257,917	1,165,571	4,504,520	4,425,722						9,540,467
Human resources	602,031	602,031	116,351	112,601	1,944,279	1,739,358						2,453,990
Labor, licensing and regulation	35,405	34,974	92,419	58,158	191,374	175,695						268,827
Public safety and correctional services	1,081,269	1,081,243	149,786	142,111	31,286	28,910						1,252,264
Public education	7,405,694	7,397,113	227,914	220,985	1,066,762	985,969	$ 3,784,316	$ 3,722,353	$ 1,302,982	$ 1,253,228		13,579,648
Housing and community development	4,530	4,530	56,861	48,313	315,970	307,823						360,666
Business and economic development	75,828	72,850	36,686	27,819	7,638	5,373						106,042
Environment	30,852	30,852	150,152	145,912	91,934	88,834						265,598
Juvenile services	269,192	269,179	4,681	4,668	14,496	11,792						285,639
State police	192,683	192,683	88,545	81,861	10,341	8,324						282,868
State reserve fund	15,000	15,000										15,000
Loan accounts											$ 1,053,177	1,053,177
Reversions:												
Current year reversions	(30,000)											
Prior year reversions		(15,347)		(104,298)		(60,928)		(246)		(35)		(180,854)
Total expenditures and encumbrances	$ 14,942,827	$ 14,935,361	$ 6,572,957	$ 6,028,209	$ 9,533,961	$ 8,997,417	$ 3,784,316	$ 3,722,107	$ 1,302,982	$ 1,253,193	$ 1,053,177	$ 35,989,464

*Appropriation and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General and Special" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Changes in Fund Equities - Budgetary Basis
For the Year Ended June 30, 2012
(Expressed in Thousands)

	General Fund		Special Fund			Higher Education Funds			
	General	State Reserve	Special	Debt Service	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Capital Projects Fund	Total
Fund equities, June 30, 2011	$ 1,068,989	$ 629,244	$ 1,363,385	$ 182,036	$	$ 829,057	$ 6,749	$ 57,053	$ 4,136,513
Increase:									
Revenues	14,062,346	22,110	5,529,308	884,294	$ 8,964,832	3,816,967	1,251,684	1,163,696	35,695,237
Decrease:									
Appropriations	14,972,827		5,701,754	871,203	9,533,961	3,784,316	1,302,982		36,167,043
Less: Current year reversions	(22,119)		(435,959)	(4,491)	(475,616)	(61,963)	(49,754)		(1,049,902)
Prior year reversions	(15,347)		(104,298)		(60,928)	(246)	(35)		(180,854)
Expenditures and encumbrances*	14,935,361		5,161,497	866,712	8,997,417	3,722,107	1,253,193	1,053,177	35,989,464
Changes to encumbrances during fiscal year 2012	7,183		11,186		156,919	(1,115)	(347)		173,826
Expenditures	14,942,544		5,172,683	866,712	9,154,336	3,720,992	1,252,846	1,053,177	36,163,290
Transfers in (out)	434,053	23,000	(285,891)	1,707	189,504	(9,225)	17		353,165
Fund equities, June 30, 2012	$ 622,844	$ 674,354	$ 1,434,119	$ 201,325	$ -	$ 915,807	$ 5,604	$ 167,572	$ 4,021,625
Fund Balance:									
Reserved:									
Encumbrances	$ 71,691	$	521,672	$	483,507	$ 3,015	$ 485	$ 504,579	$ 1,584,949
State reserve fund		$ 674,354							674,354
Loans and notes receivable			125	$ 2,377					2,502
Shore erosion loan program			7,847						7,847
Gain/Loss on Investments			1,176						1,176
Unreserved:									
Designated for:									
General long-term debt service				198,948					198,948
2013 operations	320,271								320,271
Undesgnated surplus (deficit)	230,882		903,299		(483,507)	912,792	5,119	(337,007)	1,231,578
Total	$ 622,844	$ 674,354	$ 1,434,119	$ 201,325	$ -	$ 915,807	$ 5,604	$ 167,572	$ 4,021,625

*Appropriations and expenditure differences between this statement and the "Statement of Revenues, Expenditures and Encumbrances and Changes in Fund Balances - Budget and Actual - Budgetary General, Special, and Federal" included in the RSI Section, result from differences in the classification of prior year encumbrances and expenditures.

STATE OF MARYLAND
Schedule of Funds Transferred to Political Subdivisions
For the Year Ended June 30, 2012 (1)
(Expressed in Thousands)

Subdivision (2)	State Sources				Other Sources			Assessed Value of Real and Personal Property (2)	Amount Per $100 of Assessed Value
	Shared Revenues	Direct Grants and Appropriations	Debt Service	Total	Federal Funds	State Administered Local Revenue	Total		
Allegany	$ 229	$ 119,904	$ 2,227	$ 122,360	$ 21,286	$ 25,179	$ 168,825	$ 3,970,160	$ 4.25
Anne Arundel	1,387	440,200	46,994	488,581	91,857	403,175	983,613	75,933,843	1.30
Baltimore County	1,998	758,816	48,903	809,717	127,924	596,870	1,534,511	80,781,430	1.90
Calvert	305	106,182	4,136	110,623	14,880	64,146	189,649	12,728,566	1.49
Caroline	195	55,237	61	55,493	12,070	11,018	78,581	2,808,716	2.80
Carroll	547	186,203	8,689	195,439	23,423	123,992	342,854	18,822,170	1.82
Cecil	316	133,129	10,718	144,163	20,872	49,640	214,675	9,984,190	2.15
Charles	454	207,858	8,687	216,999	31,641	97,244	345,884	16,625,874	2.08
Dorchester	216	46,732	3,099	50,047	10,949	10,572	71,568	3,126,544	2.29
Frederick	654	282,767	8,471	291,892	32,343	170,119	494,354	25,802,018	1.92
Garrett	258	39,843	474	40,575	9,374	11,229	61,178	4,775,419	1.28
Harford	679	282,794	21,315	304,788	34,715	176,328	515,831	26,748,706	1.93
Howard	757	307,828	44,507	353,092	32,146	358,422	743,660	43,737,369	1.70
Kent	111	19,442	219	19,772	6,207	10,225	36,204	2,945,129	1.23
Montgomery	1,797	843,387	42,847	888,031	134,219	1,251,894	2,274,144	162,769,397	1.40
Prince George's	1,006	1,123,870	49,990	1,174,866	203,869	490,071	1,868,806	79,175,382	2.36
Queen Anne's	257	51,526	5,779	57,562	8,863	35,662	102,087	8,045,327	1.27
St. Mary's	373	122,289	1,939	124,601	20,139	74,923	219,663	12,106,769	1.81
Somerset	139	39,569	2,010	41,718	10,729	6,233	58,680	1,528,047	3.84
Talbot	160	21,622	67	21,849	7,466	20,269	49,584	9,346,859	0.53
Washington	428	204,682	23,963	229,073	34,867	64,565	328,505	12,751,862	2.58
Wicomico	333	154,114	7,285	161,732	28,422	41,901	232,055	6,677,241	3.48
Worcester	248	36,081	72	36,401	15,889	11,911	64,201	15,842,104	0.41
Baltimore City	113,995	1,380,891	77,447	1,572,333	360,771	273,865	2,206,969	37,352,308	5.91
Total	$ 126,842	$ 6,964,966	$ 419,899	$ 7,511,707	$ 1,294,921	$ 4,379,453	$ 13,186,081	$ 674,385,430	

(1) In addition to the amounts shown for counties and Baltimore City, $157,274,000 was distributed to municipalities within the counties.

(2) Source: Sixty-eighth Report of the Department of Assessments and Taxation, dated January 2012. Assessed value of property is 100%

STATE OF MARYLAND

Schedule of Taxes Receivable from Collectors of State Property Taxes

June 30, 2012

(Expressed in Thousands)

Political Subdivision	Taxes Receivable		
	Current Year	Prior Years	Total
Allegany	$ 354	$ 152	$ 506
Anne Arundel	26	89	115
Baltimore County	147	104	251
Calvert	335	(5)	330
Caroline	8	4	12
Carroll	43	13	56
Cecil	25	474	499
Charles	12	44	56
Dorchester	284	43	327
Frederick	(11)	251	240
Garrett	366	46	412
Harford	38	9	47
Howard	45	969	1,014
Kent	193	11	204
Montgomery	(1,013)	(1,202)	(2,215)
Prince George's	48	26	74
Queen Anne's	12	3	15
St. Mary's	279	32	311
Somerset	211	227	438
Talbot	7	3	10
Washington	221	(229)	(8)
Wicomico	24	75	99
Worcester	546	47	593
Baltimore City	9,562	(6,620)	2,942
Total	$11,762	$(5,434)	$6,328

STATE OF MARYLAND
Schedule of Estimated Revenues - Budgetary Basis
For the Year Ending June 30, 2013
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Income Taxes	$ 8,039,516	$ 324,260				$ 8,363,776
Retail sales and use tax and licenses	4,125,696	47,545				4,173,241
Motor vehicle fuel taxes and licenses	5,000	752,600				757,600
Motor vehicle tax and licenses		1,082,200				1,082,200
Property taxes		760,140(1)				760,139
Insurance company taxes, licenses and fees	308,109					308,109
Franchise and corporation taxes	220,262					220,262
State tobacco tax and licenses	406,932	5,000				411,932
Alcoholic beverages taxes and licenses	32,209					32,209
Death taxes	217,593					217,593
Miscellaneous taxes, fees and other revenues	193,943	183,229(1)	$ 11,955(1)			389,125
Budgeted tobacco settlement recoveries		132,110				132,110
Horse racing taxes and licenses		2,676				2,676
District courts fines and costs	80,783					80,783
Interest on investments	34,994	2,494				37,488
Hospital patient recoveries	67,962					67,962
Legislative	51					51
Judicial review and legal	65,131	96,365	6,321			167,817
Executive and administrative control	7,166	286,945	205,276			499,387
Financial and revenue administration	13,517	61,407				74,924
Budget and management	2,482	20,866	5,231			28,579
State lottery agency	510,664	524,786				1,035,450
Information technology development		19,086	51,678			70,764
Retirement and pension	382	4,942				5,324
General services	75	3,538	1,114			4,727
Transportation and highways		881,077	924,208			1,805,285
Natural resources and recreation	190	77,881	31,907			109,978
Agriculture	164	26,740	4,680			31,584
Health, hospitals and mental hygiene	52,588	1,120,025	4,658,753			5,831,366
Human resources	1,613	102,403	1,772,905			1,876,921
Labor, licensing and regulation	9,961	109,627	163,783			283,371
Public safety and correctional services	13,794	150,403	36,404			200,601
Public education	39,578	68,705	1,051,744	$ 3,801,624	$ 1,328,235	6,289,886
Housing and community development	1,000	79,820	262,154			342,974
Business and economic development	35	57,702	2,145			59,882
Environment	745	366,836	81,923			449,504
Juvenile justice		2,669	8,330			10,999
State police	3,000	78,138	436			81,574
Higer Education Fund		49,340				49,340
Budget Restoration Fund	3,205	161,749				164,954
Total estimated revenues (2)	$ 14,458,340	$ 7,643,304	$ 9,280,947	$ 3,801,624	$ 1,328,235	$ 36,512,447

(1) Includes $922,469,000 recorded in the Debt Service Fund for accounting purposes.
(2) Amounts are reported as of July 1, 2012, and do not reflect revisions, if any, subsequent to that date.

STATE OF MARYLAND
Schedule of General, Special, Federal, Current Unrestricted and Current Restricted Fund Appropriations - Budgetary Basis
For the Year Ending June 30, 2013
(Expressed in Thousands)

	General Fund	Special Fund	Federal Fund	Current Unrestricted Fund	Current Restricted Fund	Total
Payments of revenue to civil divisions of the State	$ 111,009	$ 31,576				$ 142,585
Public debt		910,514(1)	$ 11,955			922,468
Legislative	78,319					78,319
Judicial review and legal	497,801	97,306	6,322			601,429
Executive and administrative control	169,654	317,712	205,274			692,640
Financial and revenue administration	247,681	300,451				548,132
Budget and management	53,112	73,752	56,909			183,773
Retirement and pension		4,943				4,943
General services	54,209	3,538	1,114			58,861
Transportation and highways		2,810,447	924,209			3,734,656
Natural resources and recreation	44,950	132,751	31,907			209,608
Agriculture	27,313	33,345	4,680			65,338
Health, hospitals and mental hygiene	3,890,403	1,348,760	4,658,753			9,897,916
Human resources	591,254	103,803	1,772,905			2,467,962
Labor, licensing and regulation	36,299	110,828	163,783			310,910
Public safety and correctional services	1,088,206	150,403	36,404			1,275,013
Public education	7,142,927	609,610	1,051,744	$ 3,801,624	$ 1,328,235	13,934,140
Housing and community development	3,940	79,820	262,154			345,914
Business and economic development	57,523	76,102	2,145			135,770
Environment	31,584	366,836	81,923			480,343
Juvenile justice	262,963	2,669	8,330			273,962
State police	206,099	78,138	436			284,673
State reserve fund	27,758					27,758
Total appropriations (2)	$ 14,623,004	$ 7,643,304	$ 9,280,947	$ 3,801,624	$ 1,328,235	$ 36,677,113

(1) Recorded in the Debt Service Fund for accounting purposes.

(2) Amounts are reported as of July 1, 2012, and do not reflect revisions, if any, subsequent to that date.

Comptroller of Maryland

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